

Implementation of Financial
Market Infrastructures Act
2021 – Payments NZ
submission to Reserve Bank

(on a framework for identifying SIFMIs, on
developing standards for designated FMIs)

September 2021

Introduction

1. This submission is made by Payments NZ Limited (Payments NZ). It is made in response to the two consultation papers released by the Reserve Bank on 26 July 2021, namely:
 - A Framework for Identifying Systemically Important Financial Market Infrastructures,
 - Developing Standards for Designated Financial Market Infrastructures.

Both consultations are for the purposes of implementing the Financial Market Infrastructures Act 2021 (the FMI Act) which came into effect on 10 May 2021. An implementation plan for the new law is set out in a covering paper to the consultations mentioned. This is to take place over an 18-month transition period and is expected to be completed at the end of 2022.

2. The Reserve Bank has previously indicated that the High Value Clearing System (HVCS) and Settlement Before Interchange (SBI) governed by Payments NZ are likely to be designated as systemically important financial market infrastructures (FMIs). Although the consultation papers appear to exclude retail systems, it is understood that the term retail is aimed at switches and schemes, and SBI will be a potential candidate for designation (notwithstanding its retail nature). Payments NZ accordingly proceeds on this basis.
3. The submission takes the form of general commentary, in the paragraphs that follow. Answers to the specific questions that are raised in the two consultations are attached.

Overview

4. Payments NZ supports the proposed approach of using the CPSS/IOSCO¹ Principles for financial market infrastructures (the PFMI) as a basis for both:
 - determining systemically important financial market infrastructures; and
 - the development of standards for these financial market infrastructures.
5. This will enable New Zealand to benefit from the considerable work that has been done globally on FMI regulation, and will enhance the credibility of our regime internationally. This is important for participants and new participants.
6. We note that, in terms of a framework for identifying systemically important FMIs, New Zealand is following the approach of United States and Canada and adopting a single framework which applies to all FMIs. We believe that it is better to have two different frameworks – one for identifying (systemically important) payment systems and one for other FMIs. This is because the risks and issues between the two types of infrastructure are very different and as such should be managed quite differently. This is the approach adopted in a number of overseas jurisdictions, many of which have a closer affinity to

¹ Committee on Payment and Settlement Systems (now called the Committee on Payments and Market Infrastructures) and the Technical Committee of the International Organisation of Securities Commissions. The PFMI were published in 2012.

New Zealand. In particular, this is the case with Australia where there are closer economic considerations and obligations (as has been emphasised for the purposes of a consumer data right).

7. The regulatory approach to payments systems in Australia is considerably simpler than its regulatory approach to securities settlement systems and trade repositories. This is because of the critical roles that these FMIs have in the markets they serve, the credit risk dimension in the system, the data being stored and because they actually own and operate the infrastructure used to clear and settle transactions. We also note that there is a difference in how the PFMI are applied in Australia. In the case of payment systems, this is done by conducting self-assessments against the PFMI. In the case of securities settlement systems and trade repositories, it is done by the incorporation of standards which follow the PFMI (adapted to Australian circumstances). To date, the Reserve Bank Information and Transfer System (RITS) is the only domestically focused payment system that is regarded as systemically important by the Reserve Bank of Australia.
8. While we endorse the use of the PFMI for New Zealand, we do note the misalignment between the PFMI and the approach in the FMI Act in relation to the regulation of payment systems. The PFMI define a payments system as a:

“set of instruments, procedures, and rules for the transfer of funds between or among participants; the system includes the participants and the entity operating the arrangement”

Annex D of the PFMI makes it clear that the payment system operator is an entity that runs the infrastructure. A rule-making body does not appear to be contemplated in this regard (per footnote 188). Payments NZ is a rule-making body and does not own or operate payments infrastructure. However, the definition of operator in the FMI Act includes a person that maintains or administers rules which seems somewhat unusual and artificial.

Framework for assessing systemically important payment systems

9. Systemically important is defined in section 28 of the FMI Act. Section 24 sets out the matters that must be taken into account in deciding whether an FMI is systemically important. These matters are consistent with the PFMI and we endorse conformity with international best practice.
10. We do not, however, believe that the matters that are set out in section 24 should be ranked equally. In our view, the size of the payment system should be the most important factor in determining whether an FMI is systemically important. In this regard, size should not be applied as absolute volumes of transactions processed or the value of transactions undertaken. Instead it should be a percentage of the system that they represent. Size needs to be dynamic and capable of catering for adjustments (upwards or downwards) relative to the size of the payment system.

11. The other factors are the types of participants, the nature and scope of activities, interconnectedness, the concentration of financial risk, and substitutability. In our view these should largely be used as weighting factors when it is not clear that a payment system should be included or not because of its size (being the prime determinant).

Designation of rules

12. The focus of the first consultation is on the framework for identifying systemically important financial market infrastructures and the criteria in this regard. Section 29 requires the designation notice to specify the documents that set out the FMI's rules and, as a result of that, making the rules subject to the law. The consultation does not endeavour to deal with the designation of rules which is an omission so far as Payments NZ is concerned, when it is purely a rule-making body. We are very much of the view that a framework is also needed for the designation of rules, in particular, to determine what rules should be caught and what rules should not.
13. It is a relatively straightforward matter to determine what needs to be designated for such systems as the Exchange Settlement Account System (ESAS), which have standard terms and conditions. It is significantly more problematic when it comes to the rules of Payments NZ which cover a range of payment instruments with a great deal of operational detail which changes frequently. As we have mentioned previously, our rules are voluminous. They run to some 1550 pages and we are close to issuing the 50th version of the rules (averaging roughly five consolidated updates each year). This differs dramatically from the frequency of the changes that occur with the other FMIs which do not tend to evolve nearly as much as payment rules. The payment ecosystem is fast changing and dynamic. The rules need to keep pace with the developments that take place.

Standards

14. Payments NZ broadly supports the pillar approach that is contemplated in the second consultation paper. We note that Pillar I will not be relevant to Payments NZ as it is concerned with settlement systems that are currently designated under Part 5C of the Reserve Bank of New Zealand Act 1989.
15. Payments NZ endorses the approach of using the PFMI as the basis for the standards. As the Reserve Bank is aware, we have always assessed our rules against the PFMI (including all changes in the rules). We have done this continuously since Payments NZ was established, in line with our constitutional objective to promote interoperable, innovative, safe, open and efficient payment systems (which in fact mirrors the safety and efficiency objectives of the PFMI). We have always endeavoured to make sure that our rules conform with the PFMI and there is already a strong alignment with the PFMI in terms of our rules, governance structures and how we operate. This should be taken into account in determining what is needed or expected by way of compliance i.e. regard must be had to what is already in place and what is already being done by a designated FMI.

16. Contravention of a standard by an operator gives rise to liability for a pecuniary penalty pursuant to section 33. Subpart 2 of Part 5 then spells out matters that are relevant to the imposition of a pecuniary penalty. As understood, the standards under Pillar II will take the form of the PFMI, by reciting the principle in each case followed by the key considerations. This does seem a somewhat interesting way to base the liability that arises under the law, in particular, when regard is had to how the PFMI are expressed. They do not take the form of hard and fast requirements but are somewhat aspirational in nature with room for flexibility of application. In the circumstances, we consider that self-assessment is really the only way to back-up or support oversight. This indeed is the position in Australia, as mentioned.

17. We note the following matters that are to be covered under Pillar III:

- contingency plans;
- breach and outage reporting requirements;
- management of cyber risk;
- the treatment of critical service providers;
- the treatment of overseas FMIs; and
- the disclosure of information by FMIs.

In our view, these matters are already covered (in some detail) in the PFMI and we are not convinced that the Reserve Bank needs to go beyond the core PFMI when developing standards. We would like to better understand the need for these special treatments given the wide scope of the PFMI which will be operating for the purposes of Pillar II.

18. We note the narrative in the consultation on the tailoring that needs to be done where the operator controls the rules of the FMI but not the underlying infrastructure. We strongly support the first principle espoused when it comes to this, namely, that standards should not require operators of these FMIs to do something they cannot do. This is something we have emphasised in previous submissions and we are pleased that it has been given the recognition that it has in the latest consultation.

19. As mentioned previously, Payments NZ is a rules body only and is only brought into the regime by virtue of the definition of operator (and which is somewhat at odds with the PFMI). As such, a number of the PFMI will simply not apply to Payments NZ as it does not own or operate any infrastructure. Other PFMI will only have partial application if Payments NZ is going to be specified as an operator for the purposes of the law. Payments NZ has undertaken an assessment of those PFMI which it considers apply to it and, in this regard, how Payments NZ complies with those PFMI. We would welcome the opportunity to meet with the Reserve Bank to discuss our conclusions with you.

20. The principle of not requiring parties to do things that they cannot do has been expressed in the context of Pillar II. It does however have equal relevance and validity in the context of Pillar III, in particular, in the following respects:

- **Contingency plans:** Payments NZ does not own infrastructure and does not have any contracts with critical service providers in relation to the provision of infrastructure. Therefore, while it can identify events that pose a significant risk

of disrupting the operation of HVCS or SBI, including events that could cause widespread or major disruption, it may not be able to deliver a contingency plan as it cannot enforce standards over critical service providers;

- **Breach and outage reporting:** for Payments NZ, breach and outage reporting will be limited to information that is made available to it. It is noted that Payments NZ's rules already cover incident reporting and we believe that this is adequately covered by Principle 17 of the PFMI which require an FMI to identify the plausible sources of operational risk, both internal and external, and mitigate their impact through the use of appropriate systems, policies, procedures, and controls. We do not see any value, for ourselves, in public disclosure of material breaches relating to standards. If public reporting is required, we would like to understand what would be defined as material (e.g. public reporting should not cover matters such as an event that materially increases the risk to a designated system);
- **Management of cyber risk:** the Reserve Bank notes that cyber resilience is crucial for FMIs to promote a safe and efficient financial system and that there is a heightened risk to the wider financial system from cyber incidents that impact FMIs. Payments NZ, in principle, supports the Reserve Bank's view that standards should be developed to address cyber risk management for designated FMIs (under Principle 17 of the PFMI). However, these must be proportionate to the size, structure and operational environment of an entity, as well as the nature, scope, complexity, and riskiness of its products and services;
- **Treatment of critical service providers:** The Reserve Bank notes that it could set requirements directly on critical service providers or set requirements on how FMIs use critical services providers (as explicitly provided for by the PFMIs). Payments NZ does not have any contractual relationships with critical service providers in relation to the provision of critical services. Therefore, the Reserve Bank would need to set requirements directly itself on critical service providers. Payments NZ does not support the Reserve Bank's preferred option to regulate critical service providers indirectly by requiring the contractual terms between the FMI operators and their critical service providers to reflect the Reserve Bank's expectations at a principle-based level. This is because of the risk, identified by the Reserve Bank, that an FMI would not be able to negotiate the appropriate terms with a critical service provider which may hinder the ability of the FMI to obtain the critical service;
- **Disclosure of information:** the Reserve Bank proposes using the CPMI-IOSCO Disclosure Framework with FMIs reviewing their disclosures at a minimum of every 2 years to ensure they remain accurate. We are unclear as to the benefit of this for Payments NZ, noting that it will involve a considerable amount of time and overhead. Payments NZ already assesses itself and its rules against the PFMI and we believe this is sufficient in our circumstances.

Overall, there are limitations on how much Payments NZ can do in the circumstances. Ideally this could have been made clearer in the proposals under Pillar III when a rule-making body is brought into the picture and is to be designated under the regime.

Implementation timetable

21. In our view the timetable for implementation of the law is unrealistic, and we believe that extra time should be built into the plan, particularly in light of the disruption caused by COVID-19. There is a great deal of work that has to be done by affected parties and indeed by the Reserve Bank itself, in particular:

- the Reserve Bank has to finalise the framework for identifying systemically important FMIs. This may differ between the types of FMI. Then assessments of those FMIs have to be carried out and the affected FMIs consulted;
- the policy around the development of standards has to be finalised and the standards drafted. There is then publication of an exposure draft for consultation. Actual application of the standards will involve tailoring dependent on the circumstances and type of the individual FMI. This may well involve further consultation and drafting especially when there is partial application of the PFMIs;
- the designation notice must also specify the documents that set out the FMI's rules. This is going to represent significant time and effort should Payments NZ be designated, in particular, given the nature and extent of our rule book (with the restructuring and redrafting of the rule book that is likely to arise).

In the circumstances, we believe a transitional period of 18 months will just not be adequate, if it is to be worthwhile (in general terms, given the time needed for the finalisation of policies and the consultation that will have to occur).

22. Payments NZ is grateful for the opportunity to make this submission on the two consultations. We hope what we have said will be carefully considered by the Reserve Bank and taken into account when finalising the oversight arrangements under the FMI Act, and in terms of the ongoing operation of the law. It is our wish to be as constructive as possible in the interests of the payments sector and doing what is best for all stakeholders.



Steve Wiggins
Chief Executive
Payments NZ Limited

A Framework for Identifying Systemically Important Financial Market Infrastructures

Annex A: Consultation questions

Question 1: Do you have any comments on the design of the Framework (noting that it is based on the FMI Act, aligned with the PFMI, and balanced regulatory discretion with transparency and clarity)?

We are broadly in agreement with this approach. Transparency and clarity are certainly important when exercising the statutory powers, given the significance and impact of designation.

Question 2: Do you have any comments on the factors we suggest for assessing the size of FMIs? What other factors do you consider we should include in this category?

As set out in our submission, Payments NZ believes that size should be the prime determinant. While the factors suggested by the Reserve Bank to assess the size of FMIs are relevant, Payments NZ prefers assessing the size based on the percentage of the system that they represent so that adjustments (upwards or downwards) relative to the size of the payment system can be accommodated. The other matters in section 24 should only become important if size is not decisive.

Question 3: Do you have any comments on the factors we suggest for assessing the types of persons who are participants of FMIs? What other factors do you consider that we should include in this category?

Payments NZ does not have any comments on the factors suggested by the Reserve Bank for assessing the types of persons who are participants of an FMI. However, Payments NZ would like to understand the relevance of indirect participants to this assessment.

Question 4: Do you have any comments on the factors we suggest for assessing the nature and scope of activities of FMIs? What other factors do you consider we should include in this category?

Payments NZ does not have any comments on the factors suggested by the Reserve Bank for assessing the nature and scope of activities of FMIs.

Question 5: Do you have any comments on the factors we suggest for assessing the interconnectedness of FMIs? What other factors do you consider we should include in this category?

Payments NZ would like to understand the extent to which indirect interconnectedness will be taken into account by the Reserve Bank in assessing the interconnectedness of FMIs. Payments NZ does not own or operate any infrastructure and, while it is reliant on, for example, ESAS to settle transactions, it has no direct relationship in relation to the provision of services by ESAS, and has no indirect connection which would allow it to take any action in the event of any disruption or failure of such an FMI.

Question 6: Do you have any comments on the factors we suggest for assessing the interconnectedness among participants of FMIs? What other factors do you consider we should include in this category?

Payments NZ has no comment on the factors suggested by the Reserve Bank for assessing the interconnectedness among participants of FMIs.

Question 7: Do you have any comments on the factors we suggest for assessing the concentration of financial risk of FMIs? What other factors do you consider we should include in this category?

Payments NZ manages the rules for what is, in effect, a decentralised bilateral model that uses SWIFT messaging and ESAS settlement services. There is no concentration of financial risk, and credit risk and liquidity risk do not have relevance in the circumstances of Payments NZ. Payments NZ therefore has no comment on the factors suggested by the Reserve Bank for assessing concentration of financial risks for FMIs.

Question 8: Do you have any comments on the factors we suggest for assessing the substitutability of FMIs? What other factors do you consider we should include in this category?

Payments NZ agrees in principle with the Reserve Bank that the systemic importance of an FMI will, all other things equal, be reduced where its critical services are substitutable and readily available elsewhere in the market. However, in the case of a failure for Payments NZ, which is a rule making body, there may not need to be an immediate substitute available if all parties were to agree to continue to use the rules until such time as a new organisation or method is found for managing the rules.

Developing Standards for Designated Financial Market Infrastructures

Annex A: Consultation questions

Question 1a:	<p>Do you have any comments on the proposed one-time transition approach to developing and issuing standards?</p> <p>Payments NZ supports the one-time transition approach favoured by the Reserve Bank to developing and issuing standards. We believe that this will provide greater clarity about what the regulatory requirements will look like and ensure a more cohesive and sensible outcome. However, we note the Reserve Bank's concerns in relation to the time constraints for the standards development process and, as set out in our submission, we do not think an 18 month time frame is achievable and will be very challenging for everyone concerned. Covid 19 also needs to be taken into account.</p>
Question 1b:	<p>Do you have any comments on the proposed approach to not differentiate standards based on how FMIs become designated?</p> <p>We have no comments to make on this.</p>
Question 2:	<p>Do you have any comments on the planned approach to incorporate existing regulatory requirements (i.e. conditions of designation) into standards under the new regime?</p> <p>We have no comments to make on this.</p>
Question 3:	<p>Do you have any comment on the PFMI forming the basis of standards for designated FMIs operating in New Zealand?</p> <p>We support the use of the PFMI for the purposes of the standards but note that there will be challenges when it comes to setting standards that reflect the realities faced by FMIs operating in New Zealand. For example, some of the principles which the Reserve Bank identifies as relating to payment systems will not be applicable to Payments NZ because it is a rules making body and does not own or operate infrastructure. Therefore, the PFMI should only be used as a basis for standards where it makes sense to do so and any standards must be proportionate to the size, nature, scope, and risk profile of the FMI. We draw attention to how they are applied in Australia in respect of their domestic payment system, by using self-assessments.</p>
Question 4a:	<p>Do you have any comments on whether the scale and scope of an FMI's operations may require standards to be tailored to their particular circumstances?</p>

Payments NZ endorses the Reserve Bank’s overarching approach to tailoring standards for FMIs where the operator controls the rules of the FMI but not the underlying infrastructure, namely that standards should not require operators of these FMIs to do something they cannot do.

We agree with the principle that any tailoring of standards should aim to avoid overlap with regulatory requirements imposed elsewhere (for example, if the FMI relies upon infrastructure provided by another designated FMI, substantial reliance can be placed upon the fact that the other FMI will already be complying with applicable standards relating to that infrastructure). However, we do not understand where such an overlap could occur or how standards could be imposed on Payments NZ in relation to infrastructure providers with whom it has no direct relationship for the provision of such services.

We support the approach outlined by the Reserve Bank that standards applying to these types of FMIs could potentially be divided into 3 categories:

- standards that should fully apply to these FMIs;
- standards that should apply to these FMIs in part; and,
- standards that should not apply to these FMIs.

Question 4b: What other factors do you think may influence the need for tailoring?

As set out in our submission, standards need to take into account the size, nature, scope, and risk profile of the FMI, in particular, when it merely controls the rules and not the underlying infrastructure.

Question 4c: Which standards (see Annex B) do you think will require tailoring and what tailoring is required?

Payments NZ notes that there will be a number of PFMI which will not be relevant at all to its activities and there are also other PFMI that will only have partial relevance to it. As noted in our submission, Payments NZ has undertaken an assessment of those PFMI which it considers apply to it and how Payments NZ complies with those PFMI. We would welcome the opportunity to meet with the Reserve Bank to discuss our conclusions with you.

Question 5: Do you have any comments on the approach for FMI contingency planning in the standards?

We note that the FMI Act requires contingency plans to be:

- comprehensive, adequate and credible, taking into account the type of FMI concerned and the activities carried out under it; and
- capable of being activated and implemented effectively when appropriate.

While the Reserve Bank has proposed a largely high-level approach to issuing standards for the content of contingency plans, it has indicated that the standard will likely require contingency plans to, *inter alia*:

- identify the FMI's essential services.
- identify events that pose a significant risk of disrupting the FMI's operations, including events that could cause widespread or major disruption (such as the failure of a critical service provider or linked FMI, or a natural disaster).
- identify events that have a significant risk of placing the operator under financial stress that could affect the ability of the FMI to continue to provide essential services (e.g. credit losses or liquidity shortfalls caused by participant default, general business losses, realisation of investment losses).
- set out what constitutes an acceptable degree of recovery and within what timeframes, and if recovery within 2 hours is not possible, the reasons why.
- set out policies and procedures (including management procedures) designed to respond to identified operational and financial risk events.

Payments NZ can develop a contingency plan which identifies essential services and risk events. However, it is unable to develop a credible plan in relation to policies and procedures designed to respond to these risks (because it has no direct or indirect relationship with the essential services) which are capable of being activated and implemented effectively when appropriate.

Question 6: Do you have any comment on our plan to apply breach reporting requirements to designated FMIs like those in section 412 of the Financial Markets Conduct Act 2013?

Payments NZ understands the need for breach reporting requirements but does not see value in public disclosure of material breaches in standards in respect of a rules making body and therefore does not support this.

Question 7: Do you have any comment on our plan to carry over outage reporting requirements for FMIs currently designated under the RBNZ Act 1989 to all FMIs designated under the Act?

This seems appropriate for FMIs that own or operate infrastructure, but would not make sense for Payments NZ as a rule-making body because it will not have direct access to such information.

Question 8: Do you agree with our preferred option to publish material breaches by FMIs on both the operator's and the Regulator's official website(s)?

See our comment in relation to question 6.

<p>Question 9:</p>	<p>Do you have any comments on the proposed approach of making the RBNZ Guidance on cyber resilience the basis for regulatory requirements for designated FMIs and supplementing this with relevant content from CPMI-IOSCO Guidance to address any areas where cyber risk management is unique to FMIs?</p> <p>Payments NZ acknowledges the work that RBNZ has done on cyber resilience. It appears to be a sound basis for use in the regulation of FMIs. As set out in our submission, Payments NZ supports the development of standards to address cyber risk management for designated FMIs which operate infrastructure (but suggests that this can be done under Principle 17 of the PFMI). However, these must be proportionate to the size, structure and operational environment of an entity, as well as the nature, scope, complexity, and riskiness of its products and services.</p>
<p>Question 10:</p>	<p>What are your views on the 2 options that have been identified? Are there additional factors that should be considered when setting regulatory requirements around cyber resilience?</p> <p>As noted above, Payments NZ supports option 1, where the Reserve Bank relies on general and operational risk management standards to address cybersecurity risk. It needs to be understood, however, that Payments NZ can only do what it is able to do, in particular, when it does not own or operate payments infrastructure. It is in a different position to its participants. Its participants too are (in the main) directly regulated by the Reserve Bank and will be subject to their own cyber risk requirements in that context.</p>
<p>Question 11:</p>	<p>What factors should be considered when identifying service providers as critical? Do you see value in clarifying the interpretation of what a critical service provider is from the very high-level description provided in the PFMI?</p> <p>The Reserve Bank proposes defining a critical service provider as <i>"a provider of services without which the delivery of the FMI's key business lines - related to its designation notice - would be significantly disrupted"</i>.</p> <p>The Reserve Bank supports imposing standards on FMIs that influence aspects of the relationship between FMI operators and critical service providers to hold an FMI's critical service providers to the same standard as if the FMI were to provide the service itself.</p> <p>While Payments NZ supports clarifying the interpretation of what a critical service provider is, we believe that consideration also needs to be given to whether there is a direct (or indirect) contractual relationship between the FMI and the critical service provider which could allow the FMI to impose requirements on the critical service provider. However, as set out below, Payments NZ believes that it makes a lot more sense for any requirements to be imposed directly by the Reserve Bank.</p>

<p>Question 12:</p>	<p>Do you have any comments on the proposed two-stage process to identifying critical service providers?</p> <p>Payments NZ supports the two-stage process for identifying critical service providers but believes that the first stage should include information on whether the FMI has a relationship with the critical service provider.</p>
<p>Question 13:</p>	<p>Do you have any comments on our preferred option to require the contractual terms between the FMI operators and their critical service providers to reflect our expectations at a principle-based level?</p> <p>Payments NZ does not support the Reserve Bank's preferred option to regulate critical service providers indirectly by requiring the contractual terms between the FMI operators and their critical service providers to reflect the Reserve Bank's expectations at a principle-based level. This is because of the risk, identified by the Reserve Bank, that an FMI would not be able to negotiate appropriate terms with a critical service provider which may hinder the ability of the FMI to obtain the critical service. It is noted that Payments NZ does not have any contractual relationships with critical service providers in relation to the provision of critical services. Therefore, it would make more sense for the Reserve Bank to set requirements directly on critical service providers.</p>
<p>Question 14:</p>	<p>Do you have any comments on the preferred option of allowing substitute compliance for overseas FMIs, subject to meeting equivalence and cooperation conditions? Are there any significant issues regarding the treatment of overseas FMIs that you would like to draw to our attention?</p> <p>We have no comments to make on this.</p>
<p>Question 15:</p>	<p>Do you have any comments on the proposal for having disclosure standards consistent with the CPMI-IOSCO Disclosure Framework for FMIs?</p> <p>Alignment with the CPMI-IOSCO Disclosure Framework may be appropriate for an infrastructure provider but it will be onerous in our circumstances when we are purely a rules body. Our preference is a self-assessment per our current approach.</p>
<p>Question 16:</p>	<p>Do you have any comments on incorporating the PFMI into standards directly rather than by reference? Do you have comments on incorporating particular elements of the PFMI into legally binding standards?</p> <p>We do not have a strong view about the method used. Incorporation needs to be limited to the PFMI that apply to the FMI or the particular elements of a PFMI that apply to the FMI. Please note that Australia uses self-assessments when it comes to payment systems. Incorporation of the PFMI into standards is only done in respect of central counterparties and securities settlement facilities.</p>