Financial Market Infrastructures Policy in South Africa

3 December 2018
Contents

1. FMI definition
2. Policy and regulatory objectives
3. Criteria for designation of FMIs
4. FMI types
5. FMI policy
6. Proposals for FMI policy relating to centralisation
1. Financial Market Infrastructures (definition)

- Definition of FMI – CPMI-IOSCO
  - “a multilateral system among participating institutions, including the operator of the system that is used for the purposes of clearing, settling or recording payments, securities, derivatives or other financial transactions’.

- FMIs – systemically important FMIs and/or non-systemically important?

- FMIs – operate a technical infrastructure or not?
2. Policy and regulatory objectives

- enhancing safety and efficiency;
- fostering transparency;
- promoting access;
- reducing systemic risk; and
- maintaining financial stability.
3. Criteria for designation of systemically important FMIs

- (a) The size of the FMI;
- (b) the complexity of the FMI and its business affairs;
- (c) the interconnectedness of the FMI with other infrastructures within or outside the Republic;
- (d) whether there are readily available substitutes for the financial products and financial services that the market infrastructure provides;
- (e) recommendations of the Financial Stability Oversight Committee;
- (f) submissions made by or for the FMI; and
- (g) any other matters that may be prescribed by Regulation.
3. Financial Market Infrastructures (types)

3.1 Payment FMIs

- **Recognised in the PFMI position paper**
  - Large value domestic payment system (settlement) – SAMOS (SARB)
  - Large value regional payment system (settlement) – SIRESS (SARB)
  - Continuous Linked Settlement System (settlement) – CLS (CLS Bank)
  - Retail payment system (clearing) – Bankserv
  - Securities settlement system (clearing) – Strate
  - Retail payment system (clearing) – Mastercard
  - Retail payment system (clearing) – VISA
4. Financial Market Infrastructures (types)

- **Designated payment systems (FMIs)**
  - Large value domestic payment system (settlement) – SAMOS (SARB)
  - Large value regional payment system (settlement) – SIRESS (SARB)
  - Continuous Linked Settlement System (settlement) – CLS (CLS Bank)
  - Retail payment system (clearing) – Bankserv
  - Securities settlement system (clearing) – Strate
4. Financial Market Infrastructures (types)

- **Securities and derivatives market infrastructures**
  - Exchanges – JSE Limited, ZAR X, 4 Africa Exchange, A2X
  - Clearing House (CCP) – JSE Clear, Strate Limited
  - Central securities depository – Strate Limited
  - Trade repository - none

- **Systemically important market infrastructures**
  - JSE Ltd – clearing and settlement authority function
  - Strate Ltd – clearing house and CSD
  - JSE Clear – Clearing house/CCPs
5. FMI policy

- The Prudential Authority (PA) may develop prudential standards for securities services providers and market infrastructures.
  - **SARB**
  - SARB – to conduct assessments of compliance with applicable international standards.
  - SARB - may direct PA to impose standards or directives on Systemically Important Financial Institutions (SIFI) including Market Infrastructures.
  - Concurrence of SARB is required iro. steps relating to SIFIs e.g. cancellation of licences, winding up, etc.

- **Governor**
  - Designation of market infrastructure as SIFI.
5. FMI policy

- **Financial Sector Conduct Authority (FSCA)**
  - FSCA objectives
    - enhance the and support the efficiency and integrity of financial markets;
    - protect financial customers by—
      (i) promoting fair treatment of financial customers by financial institutions.
  - Functions - regulate and supervise, in accordance with the financial sector laws, the conduct of financial institutions.
  - FSCA may make conduct standards iro financial institutions.
  - FSCA may not licence SIFIs without the concurrence of other financial sector regulators and SARB.
6. FMI policy relating to centralisation

- Financial stability mandate of the SARB
- Why centralisation?
- Full picture of regulated activities of FMIs
- Minimise regulatory fragmentation, duplication, gaps and arbitrage
- Interconnectedness and interdependencies between FMIs (ownership and infrastructure (e.g. Strate and SAMOS))
Thank you