

19 August 2014

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Ad-hoc assessment of the compliance of Euroclear Finland Infinity System with the Recommendations for Securities Settlement Systems – Oversight outcome

This table summarises the results of the ad-hoc assessment of Euroclear Finland Infinity System. The assessment has been carried out by the Bank of Finland in accordance with the *Framework for the assessment of securities settlement systems and links to determine their eligibility for use in Eurosystem credit operations*¹.

The first layer of the user assessment framework requires securities settlement systems and links between them to meet the relevant oversight standards – as set out the *Principles for financial market infrastructures (PFMIs)*², applied to them by competent authorities. In this assessment emphasis is on the oversight principles that are relevant from the user perspective. The outcome below is based on the oversight assessment dated 19 August 2014.

Recommendation /Principle	Rating	If rating below “observed”: Justification of the rating (general description of the issues of concern)
1 Legal Basis	Observed	EFi has a well-founded, clear, transparent, and enforceable legal basis for each material aspect of its activities in all relevant jurisdictions.
2: Governance	Observed	EFi has governance arrangements that are clear and transparent, promote the safety and efficiency of the FMI, and support the stability of the broader financial system, other relevant public interest considerations, and the objectives of relevant stakeholders.
3 Framework for the comprehensive management of risks	Observed	EFi has a sound risk-management framework for comprehensively managing legal, credit, liquidity, operational, and other risks. Regarding KC4, recovery planning, Euroclear group has a consistent approach across group CSDs. EFi specific plan shall be regularly updated.
4 Credit risk	N.a.	EFi does not extend intraday credit and does not operate a net settlement system.
7 Liquidity risk	N.a.	See above.
8: Settlement finality	Observed.	EFi provides clear and certain final settlement intraday or in real time

¹ Please refer to the ECB website:

<http://www.ecb.europa.eu/pub/pdf/other/frameworkfortheassessmentofsecuritiessettlementsystems201401en.pdf>

² Please refer to the BIS website: <http://www.bis.org/cpmi/publ/d101a.pdf>

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9 Money settlements	Observed.	EFi conducts its money settlements in central bank money.
10 Physical deliveries	N.a.	Physical instruments or commodities are not processed in EFi systems.
11 Central Securities Depositories	Observed	EFi has appropriate rules and procedures to help ensure the integrity of securities issues and minimise and manage the risks associated with the safekeeping and transfer of securities. It maintains securities in an immobilised or dematerialised form for their transfer by book entry.
12 Exchange for value settlement systems	N.a.	EFi does not operate an exchange-of-value system.
13 Participant-default rules and procedures	Broadly observed.	EFi has effective and clearly defined rules and procedures to manage a participant default. These rules and procedures are designed to ensure that the FMI can take timely action to contain losses and liquidity pressures and continue to meet its obligations. However, EFi needs to finalise the policy for involving participants in the testing and review of the default procedures.
17 Operational risk	Observed.	EFi has identified the plausible sources of operational risk, both internal and external, and mitigate their impact through the use of appropriate systems, policies, procedures, and controls. Systems are designed to ensure a high degree of security and operational reliability and should have adequate, scalable capacity. Business continuity management aim for timely recovery of operations and fulfilment of the FMI's obligations, including in the event of a wide-scale or major disruption.
18 Access and participation requirements	Observed.	EFi has objective, risk-based, and publicly disclosed criteria for participation, which permit fair and open access.
19 Tiered participation arrangements	Broadly observed.	Infinity is a direct holding system and thus provides a high level of legal certainty on both the proprietary and collateral rights registered in the system. EFi has no direct access to data concerning tiered

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		participation but has right to inspect its direct participants that are in a direct contractual relationship with EFi and are responsible towards EFi about their customers. Costs and benefits for establishing required measures in Infinity should be analysed.
20 FMIs links	Observed.	EFi has identified and monitors, and manages link-related risks. All link partners are standard participants of EFi.
22: Communication procedures and standards	Observed.	EFi New System uses relevant internationally accepted communication procedures and standards in order to facilitate efficient payment, clearing, settlement, and recording
23: Disclosure of rules, key procedures, and market data	Observed.	EFi has clear and comprehensive rules and procedures and provides sufficient information to enable participants to have an accurate understanding of the risks, fees, and other material costs they incur by participating in Infinity. All relevant rules and key procedures are publicly disclosed. However, the standardised FMI disclosure template should be utilised to objectivity and comparability.
Responsibility A: Regulation, supervision and oversight of FMIs	Observed.	EFi is subject to appropriate and effective regulation, supervision and oversight by the Finnish competent and relevant authorities.
Responsibility B: regulatory, supervisory and oversight power and resources	Observed.	The BoF, FIN-FSA and the MoF have the resources to carry out effectively their responsibilities.
Responsibility D: Application of the principles for FMIs	Observed.	The PFMIs have been adopted and applied.
Responsibility E: Cooperation with other authorities	Observed.	The relevant authorities cooperate both domestically and internationally.