

CONSIDERATIONS ON ASSESSMENT OF PAYMENT AND SETTLEMENT SYSTEM

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ABSTRACT: *Payment and settlement systems are financial instruments that are significant to the financial and banking system. Payment systems are a source of current information and an operative intervention tool by providing oversight use funds in the accounts of the banks. Since their implementation in the banking system structure these systems have evolved continuously in the market requirements, we are encountering major problems are mostly due to strict compliance with international standards, which ensure a high level of safety in their operation and measures by the central bank.*

KEYWORDS: *Payment systems, settlement systems, central depository, evaluation.*

JEL Classification: *E 52, E 42*

INTRODUCTION

Assessment of payment and settlement systems is one of the central bank's activities in order to ensure financial stability and maintain public confidence in the banking system. This evaluation system is achieved through continuous monitoring and thorough Transactions achievement of these systems.

Promoting safety objectives, efficiency and effectiveness in these payment systems and settlement systems within a infrastructură reprzintă financial market, aiming at determining the degree of compliance with international standards and the implementation of new amendments necessary to remedy shortcomings identified.

Reported to specific principles of the monitoring and promotion central banks considering that the evaluation process, use international standards at the highest level, both privately owned systems and systems owned by the central bank.

RISKS AND MEASURES ASSOCIATED EVALUATION PROCESS

“Global risk management aims to analyze and manage events that may occur in the business world.” (Dobrin G., 2013)

The payment systems and settlement systems operating in Romania have not encountered significant problems due to compatibility with early payment systems in the European Union both in terms of their functionality and compliance with European and international standards and practices of field. However, in order to strengthen the proper functioning of the system, the National Bank of Romania started a comprehensive process of evaluation.

„Evaluation of these systems aims safe and efficient compared with standards developed by the Bank of International Settlements and the European Central Bank.

In Romania there are five payment and settlement systems operating in the central bank. There are two interbank payment systems, one for large-value payments (ReGIS) and one for retail payment and large (SENT). There is also a depository and settlement system for government securities and certificates of deposit issued by the central bank (SAFIR) and a scheme / settlement of securities traded on the stock market (RoClear) last DSClear system is implemented system compensation settlement funds and financial instruments owned and operated by SC Sibex Depository S.A.

From the architectural point of view, payment and settlement systems in our country are:

- ReGIS - (Romanian acronym for Electronic Interbank Gross Settlement) system for large-value payments (50,000 RON) or urgent, with gross settlement in real time, owned and managed by the National Bank of Romania.
- SENT - (Electronic System Net Settlement run TRANSFOND) multilateral clearing system for retail payments (under 50,000 RON) but high volume exchanged between participants during multiple daily sessions.
- SaFIR - (Financial Instruments Settlement and Registration) storage system and settlement of financial instruments owned and managed by the National Bank of Romania.
- RoClear - the clearing and settlement funds in financial instruments owned and operated by SC Central Depository S.A.
- DSClear - the clearing and settlement funds in financial instruments owned and operated by SC Sibex Depository S.A.” (Cechin-Crista P., 2010)

The diagram of national payment system

In the evaluation process payment and settlement systems National Bank of Romania uses the ESCB-CESR Recommendations.

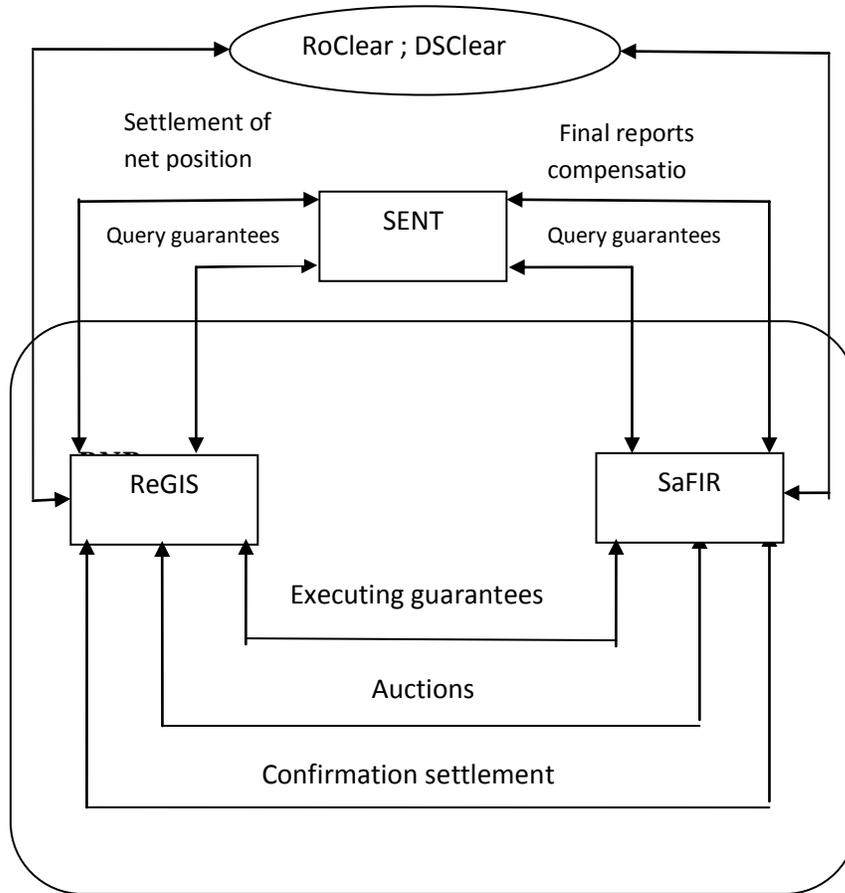
These recommendations are considered at European level as the best standards in the assessment of post-trading activity in financial markets, the ECB supports the use of these standards for evaluation by the national central banks.

So far we have completed the assessment and settlement systems RoClear DSClear the evaluation SaFIR to completion. The evaluation systems can be considered stable in terms of the maximum rate of settlement of transactions, but after some further analysis have encountered some major drawbacks which improved low will contribute to a more efficient and safer reultând thus increasing public confidence the local capital market, better investor protection, better protection of investors and of course a better investor protection.

The evaluation systems DSClear RoClear and concluded that the risks that may occur are:

Legal risk

The legal framework covering relevant aspects of the systems evaluated the running of the clearing and settlement, and the information made available to interested parties by systems administrators, generally provides a clear picture about their operation.



However, some improvements are needed on ensuring consistency between primary legislation and secondary legislation applicable, on the one hand and rules systems evaluated, on the other hand.

As a measure to reduce this legal risk is a need for greater transparency in the contractual provisions concluded between system administrators and participants, as well as the links established with other settlement systems.

Pre-settlement risks

At settlement cycles evaluated systems and operating programs used comply with the requirements specifications. Since 2015, aims to reduce the settlement cycle and harmonization at EU level. To implement this harmonization system administrators must consider the impact acestro make changes so that implementation to be successful.

The operation used by system administrators evaluated proved to be reliable, because all transactions registration systems were settled in time, reflecting the good functioning.

Settlement risk

The central depositories in Romania besides settlement systems administration and other services provide specific financial instruments initial registration entry in the accounts and administration of securities accounts at the top level of the chain of custody. Toasters these tools used in the purview sipemelor settlement can lead to risks. This risk that may arise in the process

of settlement is actually even emergence of the expenses we can produce more desirable or even losses.

„The related benefits are:

- the lower risks associated with the integrity of securities issues;
- the economies of scale by centralising the operations associated with custody and transfer, while the efficiency gains achieved through the automation of such operations improve the speed and efficiency of settlement;
- the shortening of the settlement cycle which reduces the replacement cost risk;
- the delivery versus payment is facilitated, thereby eliminating principal risk., (BNR)

Because of the special role they hold central depositories in the process of settlement of financial instruments, each central depository shall have a clear plan to ensure access to participants functions, even when that insolvency central depository. For reasons of efficiency, ie to facilitate reuse delivered assets requires permanent monitoring of net settlement mechanism in order to minimize the time between the moment when the freezing of funds and final settlement is achieved.

In addition, to ensure timely settlement in the event of incapacity of the participant's settlement with the largest net debtor position should be reconsidered specific risk management measures for net settlement systems.

It is also necessary to assess possibility of simultaneous failure of several participants in the settlement and cost analysis necessary to ensure settlement in such a situation. In addition, expanding the range of assets that can be pledged as collateral for financial participants (haircut applying appropriate sites) can reduce the opportunity cost incurred by them in the context of increasing the guarantees set up in settlement systems.

Operational risk

In terms of financial infrastructure operational risk can not be eliminated entirely. However, given the systemic importance they have, in general, financial infrastructures, their managers must:

- a) establish the limit beyond which the losses they produce are intolerable and operational risk event
- b) provide effective measures to ensure operational continuity, even if the adverse event scenarios are possible but unlikely.

Administrators under evaluation systems adopted measures yielded a maximum rate of availability in the operation. However, it should reconsider the risk profile of primary and secondary locations that can be used for operating systems in terms of their proximity.

Custody risk

Custody risk can occur in the system used for highlighting investors' holdings. When using the direct risk of custody system is lower because this system allows a clear identification of the financial instruments that belong to each investor, but its use is expensive. A higher risk of custody can register for indirect holding system which does not require records of all entities involved in the chain of custody.

Use of indirect holdings by central depositories in our country a determinant our system alignment mechanisms used in Europe, this system is called especially foreign institutional investors. According to the legal framework, customers are segregated holdings of its holdings of participants so that creditors of the latter may bring claims on financial instruments belonging to

clients. Also, the use of client assets without their consent, thus avoiding recording debit balance or creating new financial instruments.

Other aspects relevant for infrastructure functioning

The complete fulfillment of the recommendations requires that the leadership of the central depository to have at least one independent member. The senior management must demonstrate greater transparency regarding training and experience.

Another important aspect for a better functioning of the system is to the replies to the questionnaire developed by CPSS-IOSCO will increase transparency on the implementation of the new standards and the transmission of information at all levels involved.

CONCLUSIONS

Obviously, contemporary economic activity known an unprecedented development. (Dobrin G., 2014)

In the future new European regulations and applicable international settlement systems and CSDs will require a much greater rigor in this area, so ESCB-CESR Recommendations compliance in their entirety, is an objective necessity.

The proper functioning of these systems in the financial market in our country is essential in the development of domestic capital market that attracts clearly and sustainable growth of the national economy and all at once a preserving financial stability.

In the future central bank should seek to facilitate foreign investors' access to financial instruments generated by payment systems and settlement systems.

Latest statistics of NBR from 2013 regarding payment systems operating in Romania shows a normal function without major disruptions record.

NBR activity focused on oversight of payment systems, the identification of risks and vulnerabilities associated with them, aiming at constant respect for international standards and implementation of measures and recommendations for mitigating these risks.

As regards central bank settlement systems in 2013 focused on two main direct action:

- assessment from the perspective SaFIR standards referred to in the ESRB ESCB-settlement systems in the European Union financial instruments and tracking implementation by systems administrators and RoClear DSClear Following completion of measures in the assessment of these systems in 2012;
- efficient capital market in this respect aiming at promoting a dialogue with the system administrator RoClear - Central Depository SA regarding the national implementation of European standards for the processing of corporate events related to the settlement of transactions dividends.

Having a solid financial infrastructure is necessary and in the light of the need to diversify the financing structure for the corporate sector in Romania, due performance of deleveraging in the banking sector.

The steps for capital market development should aim at strengthening financial infrastructures and engaged in the trading post, given the lack of interchangeability rapid including services that these entities perform for the capital market.

As a final conclusion we can say that the main interest of the NBR is to promote and monitor the proper functioning of these systems entailing the domestic capital market development, increasing national economy and not least ensure financial stability.

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