

WESTERN HEMISPHERE

PAYMENTS AND SECURITIES CLEARANCE AND SETTLEMENT INITIATIVE



COMMUNICATION TO THE INTERNATIONAL ADVISORY COUNCIL STATUS REPORT (OCTOBER 2001)

The Western Hemisphere Payments and Securities Clearance and Settlement Initiative (WHI) has completed in recent months several activities and has entered a new phase as defined in the last meeting of the International Advisory Council in January 2001.

New Phase of the Initiative

The completion of the first ten country studies (Peru, Argentina, Chile, Trinidad and Tobago, El Salvador, OECS, Brazil, Colombia, Mexico and Costa Rica)¹ has closed successfully a phase in the Initiative. The feedback received by the Core Team led to believe that the WHI helped to create momentum for the implementation of payments and securities settlement reform throughout the region. The workshops and in-country work have raised the exposure of local institutions to the international debate on relevant issues and the publication of the public reports has significantly increased the information available on payments system issues in the Region. The WHI has addressed the key issues of systemic risk, safety and soundness, and efficiency in a systematic way. Drawing on best international practices, including through the IAC's advice, the Initiative is accelerating the improvement of an essential part of the financial sector infrastructure in the Latin America and Caribbean countries through a well structured cooperative international effort that leverages international expertise in a cost effective manner. Through the active participation of central banks, securities regulators and the private sector, the Initiative is also bringing together a critical mass of local regional policy and

¹ In chronological order.

operational experts and is thus facilitating harmonized and practical improvement in all significant aspects of payments and securities clearance and settlement systems in the region, as well as in the critically important oversight capability by country authorities over such systems.

The Initiative through the several activities performed has been well received within the LAC region. It has become a regional forum to discuss relevant issues in the field of payments and securities clearance and settlement and has been able to create additional demand by some countries not included in the first group of ten. Consequently, the continuation of the Initiative and its extension to other countries in the Region are seen as useful tools to support the reform of payments and securities settlement systems in the Hemisphere. The experience matured in the first years has made possible the transition to new organizational arrangements within the Initiative in the next stage. In the new scheme, the World Bank's role evolves from leadership to support of the Initiative's activities. This will represent the achievement of one of the initial objectives of the WHI, namely the creation of capacity within the region to give continuity to the effort. The newly-established Working Groups on Payment Systems Issues of Latin America and the Caribbean (constituted by regional central banks) and on Securities Clearance and Settlement Issues (constituted within COSRA) appear to be the appropriate fora to give continuity to the discussions on progress and experiences in implementing standards, to perform an educational effort to help raise the general level of awareness of standards among market participants, to promote seminars and cross-country studies. In the new phase, the Core Team will comprise CEMLA, as Secretariat of the Initiative, the Working Groups on Payments (central banks) and Securities (COSRA), regional local authorities (central banks and securities commissions) and the World Bank (in its new supporting role). The IAC will continue to operate within the Initiative as per its current terms of reference. Although in the new environment the role for the IAC appears doomed to shrink, it is proposed that the IAC maintain its current structure at least until completion of all remaining country studies in the LAC region, which would represent the fulfillment of the mandate by the Finance Ministers. In a next step the IAC could assume a different role and even change its composition (for example with the direct involvement only of international institutions/bodies such as the WB, IMF, IADB, IOSCO, CPSS/BIS, etc.). It needs to be noted that coordination of IAC activities will continue to fall under the responsibility of the World Bank.

The developments described above are presented in detail in the Strategy Paper² which the IAC had the opportunity to comment earlier this year and that was submitted to the attention of the CEMLA Governors in May at their meeting in Rio de Janeiro along with a background paper for the formation of the Working Group on Payment Systems Issues for Latin America and the Caribbean³ (WGPS-LAC). This action had been strongly recommended by the IAC in January and resulted in the approval of CEMLA Governors to both the new augmented role of CEMLA in the Initiative and the creation of the Working Group.⁴

² See Annex I.

³ See Annex II.

⁴ Annex III includes a letter sent by CEMLA to regional constituencies on these developments.

Core Team

The composition of the Core Team managing the Initiative has changed in recent months. CEMLA, as a result of its enhanced responsibilities, has permanently assigned José Antonio Garcia, Senior Economist, to the Core Team under the supervision of CEMLA's Director, Kenneth Coates. The World Bank team continues to comprise Massimo Cirasino and Mario Guadamillas, under the supervision of Bob Keppler and Fernando Montes-Negret. Sonsoles Gallego has left the World Bank and the Core Team. To her goes a sincere appreciation for her active involvement in the WHI.

Country Studies

As mentioned above, in June 2001 the 10th country study was completed (Costa Rica). The mission was the first mission led by CEMLA and the WGPS-LAC. Joaquin Bernal (*Banco de la República*, Colombia) acted as mission leader and José Antonio Garcia (CEMLA) as Co-leader. The team comprised also Thomas Nellen (Swiss National Bank), Jan Woltjer (De Nederlandsche Bank), and Massimo Cirasino, Mario Guadamillas and Bob Keppler (World Bank). A summary of mission dates and members is presented in the Box below

Peru (June 1999)

Mario Guadamillas, Andrew Hook (World Bank), Iñigo de la Lastra (CNMV, Spain), Kenroy Dowers, Eija Holttinen (IADB), Francisco José Linares (Bank of Spain).

Argentina (July 1999)

Massimo Cirasino, Mario Guadamillas (World Bank), Derrelle Janey (Federal Reserve Bank of New York), Ferdinando Sasso (*Banca d'Italia*), Kim Staking (IADB), Dennis Earle, Margaret Koontz (DTC, IADB consultants).

Chile (November 1999)

Sonsoles Gallego, Mario Guadamillas, Andrew Hook (World Bank), Iñigo de la Lastra (CNMV, Spain), Eija Holttinen (IADB).

El Salvador (February 2000, in coordination with the FSAP)

Fernando Montes-Negret, P.S. Srinivas (World Bank), Robert Listfield (Consultant), Graciela Nakamura Tanaka (CONASEV, Peru).

Trinidad & Tobago (February 2000)

Massimo Cirasino, Mario Guadamillas (World Bank), Paolo di Blasi (Consultant), Paola Giucca (*Banca d'Italia*), Derrelle Janey (US Federal Reserve), Andrea Salas (*Comisión Nacional de Valores*, Argentina), Ester Saverson (US Securities and Exchange Commission), Ruthmilda Vos (*Bank van de Netherlandsche Antillen*).

OECS- ECCB (April 2000)

Massimo Cirasino, Charlie Garrigues (World Bank), Veronica Fucile (*Banca d'Italia*), Daniel Heller (Swiss National Bank), Ruthmilda Vos (*Bank van de Nederlandsche Antillen*).

Brazil (November 2000)

Massimo Cirasino, Sonsoles Gallego, Robert Keppler (World Bank), Jose Manuel Rodrigues (*Banco De Portugal*), Ferdinando Sasso (*Banca d'Italia*), Ester Saverson (US Securities and Exchange Commission), and Washington based support provided by representatives of the Board of Governors of the US Federal Reserve System.

Colombia (February 2001)

Massimo Cirasino, Mario Guadamillas, Robert Keppler (World Bank), Luca Ferrara (*Banca d'Italia*), Ruben Gattelet (CEMLA), Jose Manuel Portero (CNVM, Spain).

Mexico (March 2001, in coordination with the FSAP)

Massimo Cirasino, Mario Guadamillas (World Bank), Carlos Conexa (Bank of Spain) Iñigo de la Lastra (CNMV, Spain), José Antonio Garcia (CEMLA).

Costa Rica (June 2001)

Joaquin Bernal (*Banco de la República*, Colombia), José Antonio Garcia (CEMLA), Thomas Nellen (Swiss National Bank), Jan Woltjer (*De Nederlandsche Bank*), Massimo Cirasino, Mario Guadamillas, Bob Keppler (World Bank).

In all cases, the in-country work was concluded with the delivery of confidential reports to the authorities (central bank and securities commission). In many cases the observations from the international team were accepted by the authorities and are being implemented.

As mentioned above, the Initiative will have to address in the future months the additional demand that is being generated for country assessments and technical assistance. Future plans include a country mission in Uruguay in coordination with the FSAP and possible missions to Ecuador and Venezuela, which have expressed strong interest in assessing their payment systems.

It is worth noting that the World Bank is responding to demand from some countries in the Region for support in payments system reform. In some cases, this has been a direct follow up of the WHI country missions. Projects are active, among others, in Barbados, El Salvador, The Bahamas and Trinidad and Tobago.

Country Public Reports

The production of public reports was greatly simplified and expedited through the standardization of the format and the dedication of task managers and country authorities.

Reports in their final version are available for Peru (Spanish and English), Argentina (Spanish and English), Trinidad and Tobago (Spanish and English), El Salvador (English). The reports for Chile (Spanish and English) have been completed and are being formatted. The consultation period for the Colombia Reports (Spanish and English) is over and the comments received will be included soon. The reports for Brazil and the OECS are under approval of country authorities. The Reports for Mexico and Costa Rica are being drafted. The Core Team plans to have all reports available for the next “Payments Week” in the Spring of 2002 (see below).

Web-page and other documents

The Core Team has completed the restructuring of the web-page (www.ipho-whpi.org) which is now much more rich and precise. In recent months we have experienced a sharp increase of the visits to the Initiative web-page. An updated methodology for the assessment of securities clearance & settlement systems, which includes the preliminary CPSS-IOSCO Recommendations, has been prepared by Mario Guadamillas and posted on the web-page. Several other Initiative documents are available.

Research Series

One of the Initiative’s objective is to promote and divulge research work on payments and securities settlement systems in Latin America. For this purpose, the WHI has created the *Payments and Securities Clearance and Settlement Systems Research Series*, which will host original contributions in the form of studies, essays, and books by experts from national and international institutions around the world. While the Series is primarily intended for research on Latin-American countries, it will as well be open to selected-issue papers and to studies on other world regions, which can provide indications and lessons useful for the development of efficient and safe payments and securities settlement systems in Latin America.

The first study of this Series has been published in August and is available on the WHI web page. The paper, “*The Oversight of Payment Systems. A Framework for the Development and Governance of Payment Systems in Emerging Economies*”, co-authored by Biagio Bossone and Massimo Cirasino, offers an analysis of the institutional foundations (objectives, instruments, and organization) of an effective oversight function of payment systems. The study reports survey information on how payment system oversight activities are set up and evolving in a large sample of emerging economies. The Latin-American countries covered by the study are Argentina, Brazil, Colombia, Mexico, and Peru.

Contribution from IAC representatives and other colleagues are welcome to continue the research series.

COSRA Working Party

The COSRA working party (WP) is continuing its activities and another meeting was held in Montreal, Canada, on October 3 2001. Mario Guadamillas and José Antonio Garcia attended the event. The WP is finalizing its technical report, which will contain sections on DVP and Settlement Assurance. COSRA representatives will attend the November meeting of the Working Group on Payment Systems Issues at CEMLA (see below).

CEMLA Working Group

CEMLA is organizing the meeting of the Working Group on Payment Systems for Latin America and the Caribbean (WGPS-LAC). The meeting will be held at CEMLA's headquarters on November 5-6, 2001. The agenda of the meeting is as follows:

1. *Election of the Chairperson and Vice-chair(s) for the WGPS-LAC.*
2. *Informative and discussion session on the current status and prospects of the efforts undertaken in the context of the Western Hemisphere Payments and Securities Clearance and Settlement Initiative.*
 - a. *Final Spanish version of the Glossary of Terms Used in Payment and Settlement Systems.*
 - b. *Introduction of the new publication series: "Research Series".*
 - c. *Country missions and corresponding reports.*
3. *Discussion on the preparation, by each country, of a self-assessment exercise of its domestic payment systems versus the BIS-CPSS Core Principles for Systemically Important Payment Systems.*
 - a. *Methodology and scope.*
 - b. *Feasibility of publicly disclosing the outcome of the self-assessments.*
 - c. *Other related issues.*
4. *Other activities for year 2002. For example:*
 - a. *Preparation of a report on comparative payment system statistics.*
 - b. *Revision and up dating of the first four country reports the Initiative published in 2000.*
 - c. *Other activities suggested by WGPS-LAC members (e.g., Report on electronic payment media throughout the region, report on legal issues, etc.).*

Besides the Core Team and COSRA, some institutions have been invited to attend to the second day session as observers, namely the Bank of Canada, the CPSS through the Secretariat, and the Federal Reserve. Involvement of other institutions as observers will be discussed and formalized at the meeting.

World Bank/ CEMLA "Payments Week" and next IAC meeting

As occurred in January 2001, the Core Team plans to have a “Payments Week” next year at CEMLA. Planned events include the IAC meeting, the annual World Bank/CEMLA conference on payment issues and the meeting of the WGPS-LAC. Due to the concomitance of other events at CEMLA and in order to allow sufficient time to complete the Initiative activities to be presented during the week, the target month for the event is April, 2002. As usual, dates will be selected to avoid conflicts with other major events and will be communicated to the IAC as soon as possible.

Finally, CEMLA and the World Bank are very pleased to welcome to the IAC formally the Swiss National Bank. Colleagues from the SNB have supported several Initiative activities, including two country missions. Consequently, the Swiss National Bank’s Top Management has kindly accepted the invitation of the WHI to become an official IAC member and has designated Daniel Heller as on-going representative. Discussion is taking place to formalize the position of the *De Nederlandsche Bank*, also an active supporter of the Initiative.

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Western Hemisphere Payments and Securities Clearance and Settlement Initiative



ANNEX I

Strategy Guidelines for Future Activities (May 2001)

1. ORIGIN AND FOUNDATIONS⁵

Payments and securities clearance and settlement systems are essential components of a nation's financial infrastructure and underpin the successful operation of modern integrated financial markets. System failures can result in major disruptions to the smooth operation of these markets, while system weaknesses directly expose market participants to financial risk. This risk must be properly understood and managed in order to protect the financial markets and underlying economies from contagion.

Payments and securities clearance and settlement systems in the Western Hemisphere vary widely in their efficiency, reliability and complexity. Some countries have developed modern electronic payments systems for large value transfers, while others have made considerable progress in establishing efficient clearing and settlement systems for securities. However, many countries have not yet moved away from traditional and potential insecure payments and securities clearance and settlement systems. So, there is substantial room for upgrading the existing arrangements and moving towards systems that are consistent with international standards and best practices.

⁵ The sections Origin and Foundations, and Objective and Current Features have been extracted by the article Cirasino, M. and Guadamillas, M., The Western Hemisphere Payments and Securities Clearance and Settlement Initiative, Payments System Worldwide. The article is available in the Initiative's web-page (www.ipho-whpi.org).

Such efforts coincide with high-level government support of financial infrastructure reform in the Western Hemisphere. The Joint Ministerial Statement issued by the Summit of the Americas Second Western Hemisphere Finance Ministers' Meeting (Chile, November 1997), mentioned as one of the action points to strengthen financial markets and called "on the World Bank Group, in conjunction with the International Organization of Securities Regulators (IOSCO), the IADB and other interested parties, to compare existing clearance and settlement systems of Latin American and Caribbean countries to standards of the Bank for International Settlements and to the framework outlined in the IOSCO paper, *Clearing and Settlement in Emerging Markets*", and, based on this review, the Ministers called "on national and regional authorities to implement changes which promote efficient and secure clearance and settlement systems consistent with those standards."

As a result, the World Bank launched in January 1999 the *Western Hemisphere Payments and Securities Clearance and Settlement Initiative (WHI)*. The World Bank leads this Initiative in partnership with the Centro de Estudios Monetarios Latinoamericanos (CEMLA) which, being an institution jointly owned by regional central banks, is well positioned to provide secretariat support for cooperative efforts like the WHI.

2. OBJECTIVES AND CURRENT FEATURES OF THE INITIATIVE

2.1 Objectives

The objective of the WHI is to strengthen existing payments and securities clearance and settlement systems in the Western Hemisphere and build institutional capacity to sustain their continued development. This is being accomplished by:

- Developing a common framework for the analysis of payments and securities clearance and settlement systems in the Hemisphere.
- Designing and implementing specific technical assistance projects to help entities in the countries to upgrade their clearance and settlement systems to international standards and best practices.
- Hosting regional workshops to raise awareness on the issue and disseminate international standards, best practices and experiences of other countries.
- Working towards the establishment of regional or sub-regional committees for addressing clearance and settlement issues on a continuous basis.

The WHI is taking a new approach to the assessment of payment systems. First, the Initiative has stressed since its outset the importance of having a **coordinated assessment of both payments and securities clearance and settlement systems**. In addition, the Initiative seeks and provides an opportunity for the **active participation of representatives from within the countries in the Region**. Thus, country representatives in conjunction with international specialists, designed the project during a preparatory workshop held in Mexico City in January 1999, with participation of experts from central banks, securities commissions and international organizations.. From the outset, it was recognized that success in each country would depend on the degree of local and regional ownership.

The WHI is a coordinated effort, and is being supported by institutions inside and outside the Region. Besides the World Bank and CEMLA, other institutions are supportive and heavily involved in the project, such as the Council of Securities Regulators of the Americas (COSRA) and an International Advisory Council (IAC). The IAC comprises highly experienced institutions in issues related to the clearance and settlement of payments and securities, was created within the project. Its main role is to provide a measure of high level quality control and general advice and guidance relating to all Initiative activities.

Finally, a longer-term aim of the Initiative is to create an ongoing cooperative process inside the Region for discussion of related topics. To realize this objective, the Initiative is supporting the creation of working groups/committees, which might work under the umbrella of a Hemispheric Council on Payments and Securities Settlement Systems (HCPSS). As an intermediate step, in December 1999 several members of COSRA created a working party to address common issues relating to securities clearance and settlement. The central banks of Latin America and the Caribbean (LAC) and CEMLA are working towards the establishment of a working group to deal with payments clearance and settlement issues.

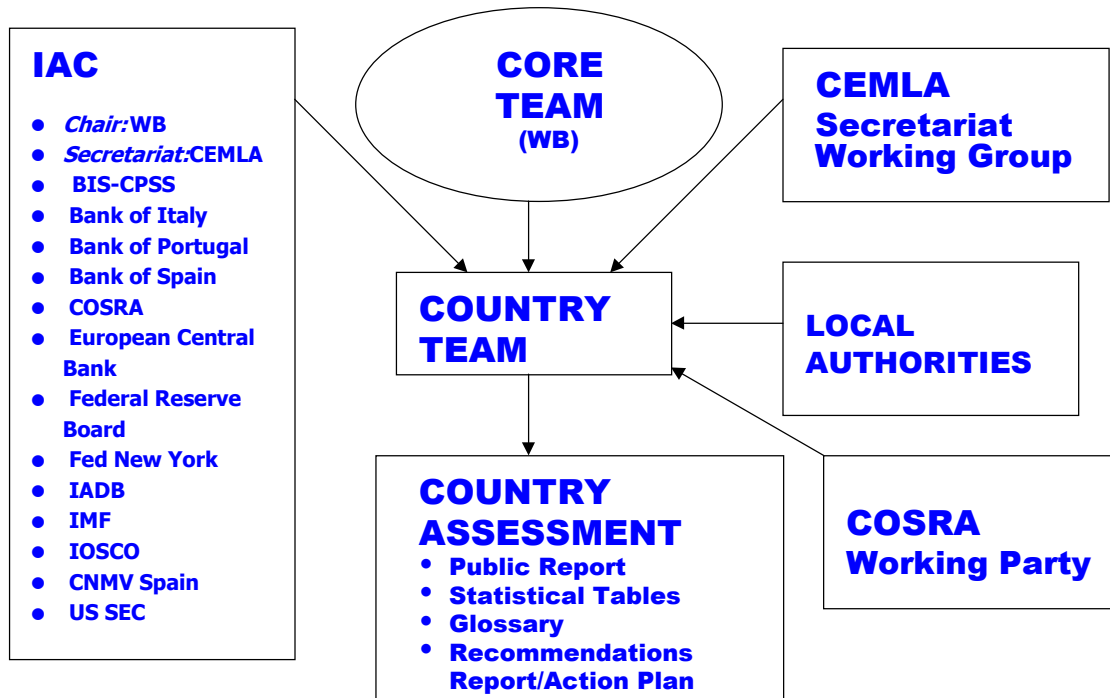
To sum up, the main pillars of the Initiative's strategy are: 1) Coordinated approach for assessing both securities and payments clearing and settlement systems; 2) country ownership of the deliverables; 3) cooperation with a broad spectrum of relevant international organizations with expertise in payments issues; and 4) continuous consultation and collaboration with the authorities within the region on both payments (central banks) and securities (securities regulators) issues.

2.2 Organization and Structure

The main pillars described above are reflected in the Initiative's organizational structure, which is depicted in Figure I.

FIGURE I

ORGANIZATION OF THE INITIATIVE



A core team has been formed within the World Bank to manage the project. The core team comprises senior economists and payment system specialists from both the Regional Department (Latin America and Caribbean Department, LAC)⁶ and the central Financial Sector Development Department, FSD⁷. The team is directly responsible for the implementation of the project. Among its main activities are: 1) Developing a common framework for undertaking the studies; 2) coordinating with CEMLA; 3) organizing country studies by staffing the international team and working out relations with local authorities; 4) leading field activities and finalizing deliverables; 5) informing the International Advisory Council and organizing its meetings; and 6) disseminating information about the Initiative inside and outside the World Bank.

CEMLA has been acting as the Secretariat for the Initiative⁸ and is committed to making the process sustainable through its extension to all the countries in the Hemisphere. The Initiative, with this purpose in mind, has helped strengthen CEMLA's in-house expertise. The endeavors of the working groups in coordination with CEMLA will maintain the infrastructure created under the Initiative and will provide a permanent forum for the countries in the Region to discuss,

⁶ As of April 2001, Mr. Augusto de la Torre, Mr. Mario Guadamillas, and Mr. Fernando Montes-Negret.

⁷ As of April 2001, Mr. Massimo Cirasino, Ms. Sonsoles Gallego, and Mr. Robert Keppler.

⁸ Until March 2001 the CEMLA team was coordinated by Luis Giorgio and included Adriana Alverde and Jesús Sobrevilla. Since March 2001, the CEMLA group is led by Kenneth Coates, Flavia Rodriguez for the overall coordination and, on a permanent basis, José Antonio Garcia as technical coordinator.

coordinate and add a collective impetus to the work in the area of payments and securities clearance and settlement systems.

CEMLA activities include: administration of the Initiative web page⁹ in Spanish and English; management of the network of communications within and outside of the project with participants and interested parties; administration of the relevant documentation, in Spanish, English and Portuguese; participation and assistance in country studies, and early preparation of country missions; support for conferences on WHI-relevant topics, organized on its own or sponsored by the Initiative, and work on the establishment of a Hemispheric Committee on Payments and Securities Clearance and Settlement. CEMLA has received support from the Secretariat of the Committee for Payments and Settlement Systems (CPSS) of the Bank for International Settlements in the area of training and secretariat know-how, and is benefiting from that institution's wide experience.

An International Advisory Council (IAC), comprised of experts in the field from several institutions, was established in March 1999. In addition to representatives from the World Bank and CEMLA, this Council includes members from the CPSS and from the Bank of Italy, Bank of Portugal, Bank of Spain, Board of Governors of the Federal Reserve System, Council of Securities Regulators of the Americas (COSRA), European Central Bank, Federal Reserve Bank of New York, Inter-American Development Bank, International Monetary Fund, International Organization of Securities Regulators (IOSCO), Securities Commission of Spain, and the U.S. Securities Commission (SEC). The IAC has been designed as an integral part of the Western Hemisphere project structure and its major objectives are to: 1) Bring to bear international and national expertise on the strategy and content of the Initiative (policy and practice) from institutions with diverse experience; 2) provide advice and guidance on specific payments and securities clearance and settlement issues; 3) help identify appropriate resources for technical assistance and for project support; 4) assure consistency with the most up-to-date thinking on payments and securities clearance and settlement; and 5) provide advice and ideas to encourage the development of a Hemispheric Council on Payments and Securities Settlement Systems.

In practice, IAC institutions have played a crucial role in staffing country teams with senior payments and securities specialists. In this sense, a key role has been played by the CPSS Secretariat and the European Central Bank in reaching out to other central banks that are not directly represented in the IAC.

A comprehensive review process by specialists in payments and securities clearance and settlement, including via the International Advisory Council and the World Bank's internal review, is the backbone of the quality control process for the project and is focused on ensuring high quality outputs.

The organizational features of the Initiative, including, in particular, the partnership between the World Bank and CEMLA and the role of the IAC, help avoid duplication of efforts by various international organizations in the field, enhance coordination, maximize impact, and leverage available expert resources internationally and within the region. In particular, it is clear that the organizational arrangements embedded in the Initiative represents its main strength as it allows access to relevant senior professionals from highly experienced and well regarded institutions.

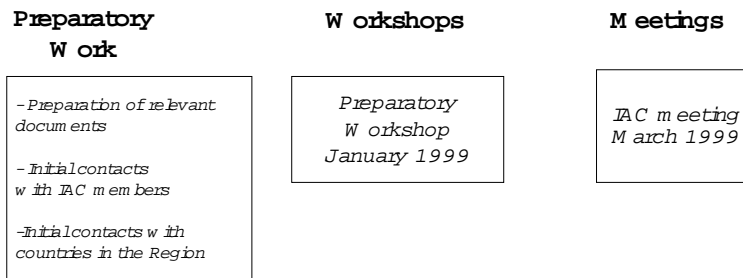
⁹ <http://www.ipho-whpi.org> for the Initiative and <http://www.cemla.org> for the Center.

2.3 Initiative Activities

The WHI committed, in a first stage, to coordinate together with CEMLA a series of 10 initial country assessments in a period of three years. The country assessments, in order of actual and planned completion, are: Peru¹⁰, Argentina, Chile, Trinidad and Tobago, El Salvador¹¹, Organization of Eastern Caribbean States (OECS), Brazil, Colombia, Mexico¹² and Costa Rica.

INITIATIVE ACTIVITIES

Phase 1 (From March 1998 to March 1999)



Following these introductory Phase I activities, the Initiative in Phase II has undertaken a number of activities to respond to the Western Hemisphere Finance Ministers' request. These include:

- The preparation of public reports containing a systematic in-depth description of each country's payments clearance and settlement systems.
- The delivery of recommendations reports to country authorities on a confidential basis, covering practical and strategic suggestions for exploiting improvement opportunities including: 1) short-term improvements, in streamlining rules, procedures and organization of payments operations; and 2) long-term improvements, to ensure that the national payments, clearance and settlement mechanisms satisfy the evolving needs of all sectors of an economy (individuals, retail, industrial and commercial, government, financial markets and international sector) for payments and securities related services.
- The organization of IAC meetings to review country studies and provide input for future work and guidance to the Initiative.
- The development of a common methodology for assessing payments and securities clearance and settlement systems. The Initiative has also developed tools for use in undertaking the country studies that incorporate emerging international standards and best practices.
- The organization of workshops focusing on issues of particular interest to practitioners in the Hemisphere.
- The creation of a web page to present the outputs of the Initiative and other information of interest in the payments and securities systems area.
- The promotion of working groups to ensure continuity to the project. This effort is conducted together with CEMLA and COSRA.

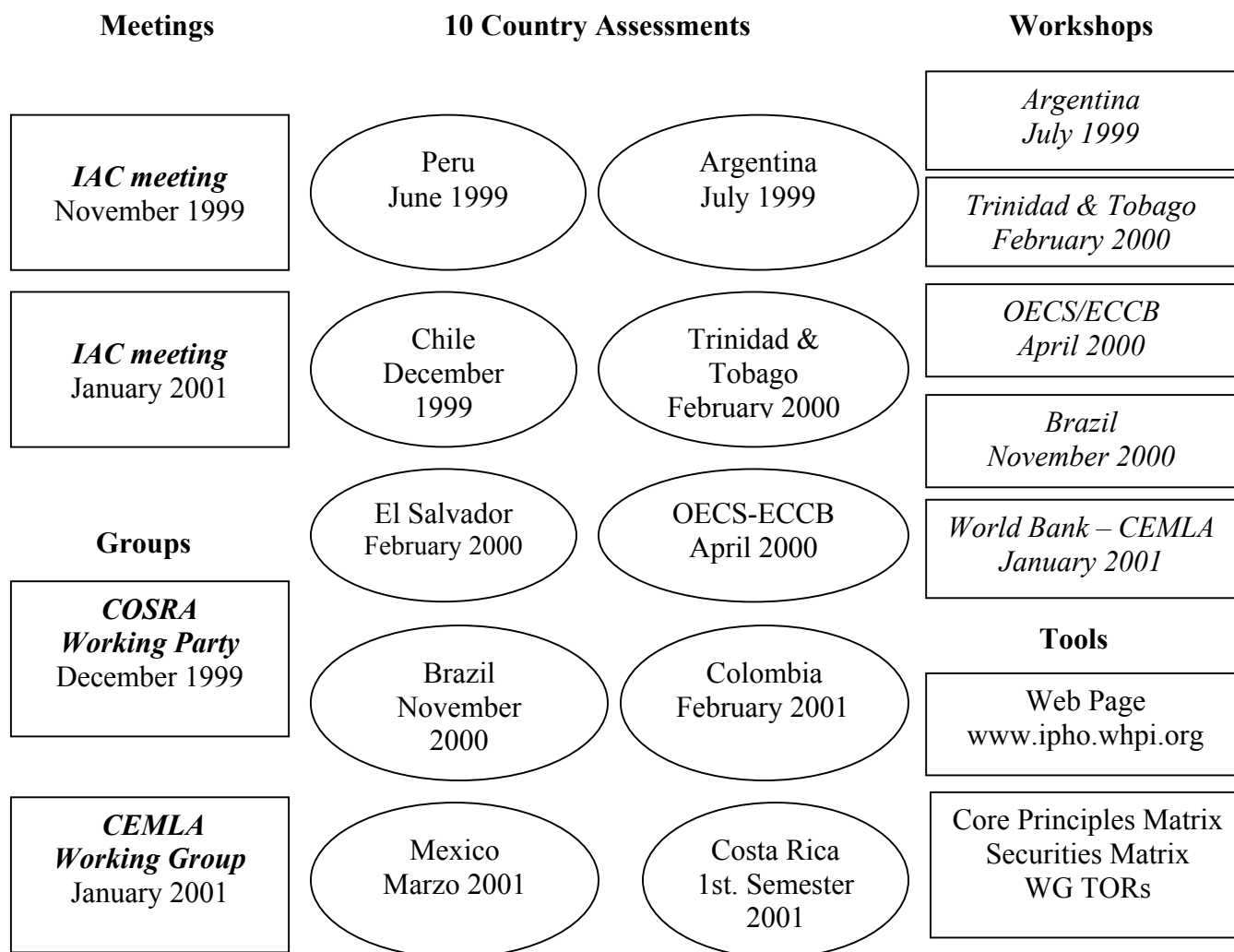
¹⁰ The Peru report was a basic input for the FSAP mission held in October 2000 in the area of payments and securities clearance and settlement systems.

¹¹ In the case of El Salvador, the WHI work was integrated within the broader FSAP.

¹² As with El Salvador, in the case of Mexico the WHI work was also integrated within the FSAP.

- The response to specific requests for technical assistance or project preparation advice by officials in the countries.

INITIATIVE ACTIVITIES
Phase II (March 1999 - June 2001)



2.4 Country Assessments

The core of the Initiative activities are the country assessments. The experience of the first country studies helped to develop an effective approach covering preparation, implementation and production of high quality final deliverables. The ideal process to prepare a country study is now known and includes several essential steps:

- ◆ Appointment of the Task Leader and, possibly, the Co-task leader of the international team.

- ◆ Contacts with local authorities (central banks and securities commissions) to discuss the scope and timing of the mission and the country needs in order to have an appropriate team composition. Experience has shown that this activity can benefit from a short advance visit to the country.
- ◆ Staffing of international and local teams.
- ◆ Collection of available information and preparation of the first draft of the public report by local authorities.
- ◆ Finalization of the agenda for the in-depth country work.
- ◆ Undertaking the in-country work. In some occasions workshops are organized during the in-country work to raise awareness on payments and securities settlement issues by taking advantage of the presence of international experts in the country.
- ◆ Post-country work to finalize the main deliverables: the Public Report and the Recommendation Reports.

2.5 Public reports

In order to obtain comprehensive and high quality public reports, it is essential to undertake effective preparatory work. This should cover the timely completion of a preliminary draft; standardization of the report structure to the extent possible, nomination of the local experts that will work full time with the international team, preliminary contact by local staff with institutions to be interviewed during the study and commitment by senior central bank and securities officials.

The Initiative has developed a common outline for structuring the public reports.¹³ This is aimed at facilitating cross-country comparisons through the use of a single and integrated approach covering both payments and securities matters. The outline is based on previously well accepted models such as the “Red Books” of the CPSS, the “Blue Books” of the European System of Central Banks and the ISSA reports. The Public Report’s Table of Contents is shown in Box 1.

<p>BOX 1</p> <p>WESTERN HEMISPHERE PAYMENTS AND SECURITIES CLEARANCE AND SETTLEMENT INITIATIVE</p> <p>PAYMENTS AND SECURITIES CLEARANCE AND SETTLEMENT SYSTEMS</p> <p>Table of Contents</p> <ol style="list-style-type: none"> 1. Economic and Financial Market Overview 2. Institutional Aspects 3. Payment Media Used by Non-Financial Entities 4. Payments: Interbank Exchange and Settlement Circuits 5. Securities: Instruments, Market Structure and Trading 6. Clearance and Settlement Circuits for Corporate Securities 7. Clearance and Settlement Circuits for Government Securities 8. The Role of the Central Bank in Clearance and Settlement Systems 9. Supervision of Securities Clearance and Settlement Systems
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¹³ As in other similar cases, the WHI Public Reports are now known as “yellow books” from the color of their cover page.

The WHI Reports have introduced some new elements as compared with other reports in the field. Besides the more comprehensive description of securities settlement systems and related issues, the reports present an introductory chapter with an overview of the economic and financial situation of the country, a brief description of banking supervision and money laundering issues in the Institutional chapter (2), and a focus on cash management and government payments in chapter (3). Two Statistical Annexes are attached to the public report; the first series of tables (A) are statistics on payments and securities clearance and settlement and are completed following a standard model. In some situations the actual tables incorporated in the reports might differ slightly from the model due to data availability constraints. The second series (B) are more general statistics related to the financial sector.

2.6 Recommendation reports

Recommendation reports are prepared by the international team and delivered to the country authorities (central bank and securities regulator) on a confidential basis. During their preparation they are constantly discussed with country representatives and, generally, preliminary reports are presented to the top management of the central bank and the securities regulator at the end of the in-country field work.

The scope of the reports is comprehensive and the systems are assessed taking into account different aspects (legal, risk management, regulatory, IT, efficiency, etc.). The recommendations aim at resolving any identified weaknesses and at exploiting any identified improvement opportunities in the current arrangements. The overall objective being more secure, efficient payments and securities clearance and settlement systems in the country, capable of satisfying the needs of the local and regional markets.

Systems are assessed against emerging international standards and best practices. In particular, payments systems have been assessed for compliance with the CPSS Core Principles for Systemically Important Payment Systems.¹⁴ In this sense the WHI benefited from the direct participation of members of the CPSS Task Force, that elaborated the Core Principles, in the international teams. Specific tools (available in the web page of the Initiative as working papers) were prepared to guide the assessments and are based on international standards. Comprehensive matrices have been developed and are used to summarize key findings and cover key features and functions of both payments and securities matters. Tentative terms of reference for the establishment of a domestic payments council have been prepared and adapted to each country's particular situation.

The recommendation reports include action plans for the further reform of the payments and securities settlement systems, where appropriate. In some cases, follow-up country visits have also been undertaken to discuss the way in which the recommendations might be implemented.

2.7 Success Factors

The WHI has helped to create momentum for the implementation of payments and securities settlement reform throughout the region. The workshops and in-country work have raised the exposure of local institutions to the international debate on relevant issues. For example, the

¹⁴ [Http://www.bis.org/publ/cpss34e.htm](http://www.bis.org/publ/cpss34e.htm) . The assessments could only be made against the draft version of the Core Principles which was published in its final form in early 2001.

CPSS Core Principles for Systemically Important Payments Systems have been used and discussed extensively during the country assessments. In addition, one of the meetings of the CPSS Task Force was held in Buenos Aires in July 1999 during the visit of the international team to Argentina. On the securities side, the activity of the COSRA working party and the development of an ad hoc methodology for country assessments based on international standards has facilitated the use and acceptance of a standardized approach.

In addition, the Peru and Argentina public reports are the first documents of this kind to be published in the Latin America and Caribbean region and, finally, comprehensive reforms for both payments and securities settlement systems are being started in some of the countries (e.g., in Trinidad and Tobago) while in others some of the recommendations provided by the international teams are being implemented (e.g., Argentina and Peru).¹⁵

The WHI is addressing the key issues of systemic risk, safety and soundness, and efficiency in a systematic way. Drawing on best international practices, including through the IAC's advice, the Initiative is accelerating the improvement of an essential part of the financial sector infrastructure in the Latin America and Caribbean countries through a well structured cooperative international effort that leverages international expertise in a cost effective manner. Through the active participation of central banks, securities regulators and the private sector, the Initiative is also bringing together a critical mass of local regional policy and operational experts and is thus facilitating harmonized and practical improvement in all significant aspects of payments and securities clearance and settlement systems in the region, as well as in the critically important oversight capability by country authorities over such systems.

The Initiative will undertake three types of activities in the following months: 1) Complete the remaining country assessments; 2) strengthen the infrastructure of the Initiative to facilitate its sustainability; and 3) attend to specific requests for technical assistance from participating countries in the Region.

¹⁵ In the case of Trinidad and Tobago, the project reform will be a joint effort of both the Central Bank of Trinidad and Tobago and the T&T Securities and Exchange Commission, an achievement that might be considered a best practice in the payments field and is not encountered in any of the countries engaging in the payments reform.

3. NEXT STEPS AND FUTURE STRUCTURE OF THE INITIATIVE

The Initiative through the several activities performed has been well received within the LAC region. It has become a regional forum to discuss relevant issues in the field of payments and securities clearance and settlement and has been able to create additional demand by some countries not included in the first group of ten.

Consequently, the continuation of the Initiative and its extension to other countries in the Region are seen as useful tools to support the reform of hemispheric payments and securities settlement systems. Furthermore, the direction of the international debate in the area supports the efforts to give continuity to the work of the Initiative. In particular, the process of definition of international standards for payments and securities settlement systems is in a very advanced stage, as it is clear by the recent publication of the final version of the CPSS report on Core Principles for Systemically Important Payment Systems and the draft of the CPSS-IOSCO Recommendations for Securities Settlement Systems (both January 2001). In addition, the co-operative framework for the assessment of the compliance of domestic payment and settlement systems with standards is being improved. Standard setting bodies, such the BIS and the IOSCO, and international financial institutions, such as the World Bank and the IMF, are closely co-ordinating their efforts in this field.

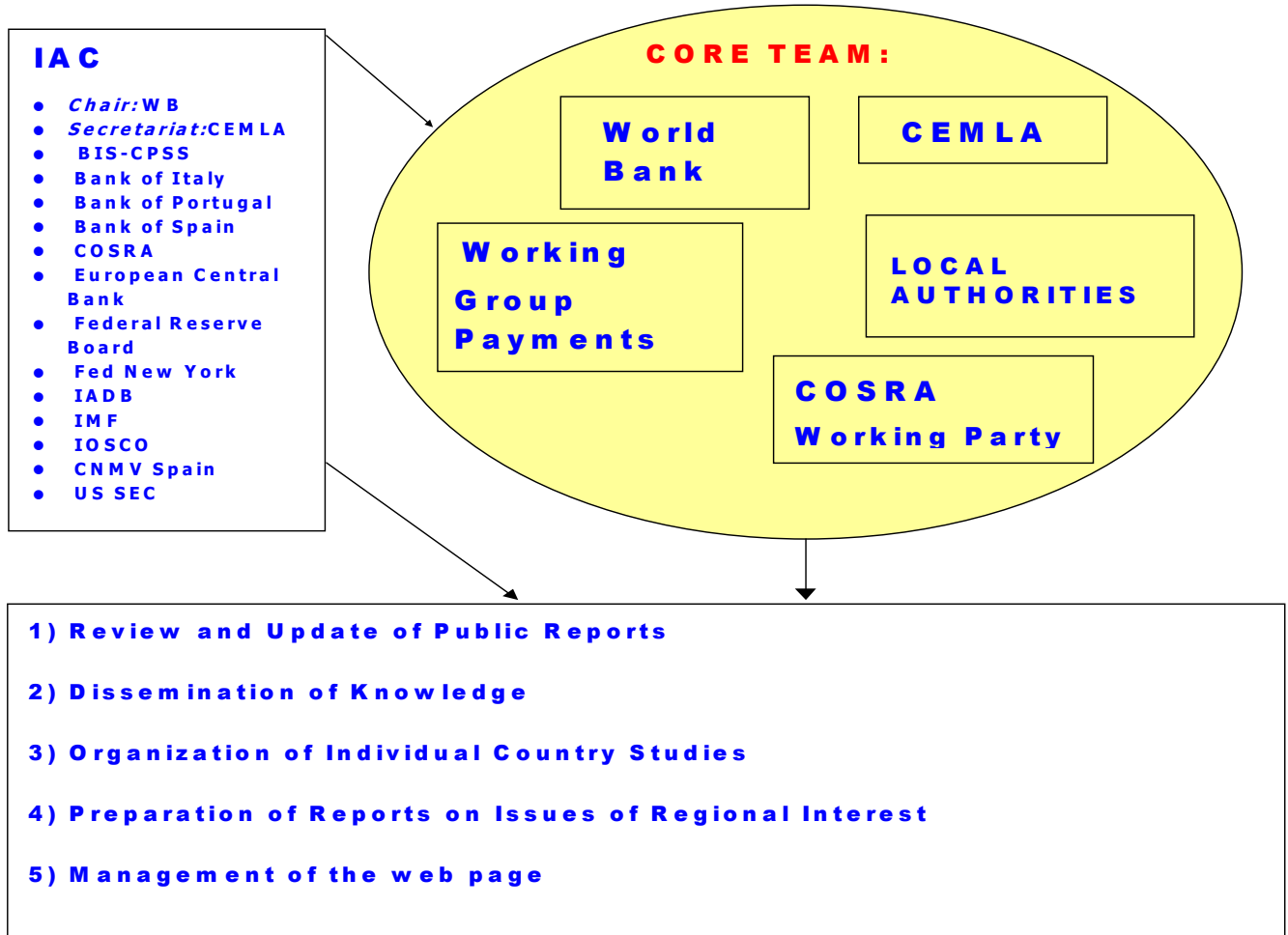
The experience matured in the first years is making possible the transition to new organizational arrangements within the Initiative in the next stage, depicted in Figure II. In the new scheme, the World Bank's role evolves from leadership to support of the Initiative's activities.. This will represent the achievement of one of the initial objectives of the WHI, namely the creation of capacity within the region to give continuity to the effort.

The newly-established Working Groups on Payment Systems Issues of Latin America and the Caribbean (constituted by regional central banks) and on Securities Clearance and Settlement Issues (constituted within COSRA) appear to be the appropriate fora to give continuity to the discussions on progress and experiences in implementing standards, to perform an educational effort to help raise the general level of awareness of standards among market participants, to promote seminars and cross-country studies. The experience of similar Committees in other regions areas, such as the Payment and Settlement Systems Committee (PSSC) of the European System of Central Banks also shows that this kind of organizational arrangements are essential in the identification of specific regional priorities in the process of improving safety and efficiency of local market infrastructures.

In the new phase, the Core Team will comprise CEMLA, as Secretariat of the Initiative, the Working Groups on Payments (central banks) and Securities (COSRA) regional local authorities (central banks and securities commissions) and the World Bank (in its new supporting role).

FIGURE II

NEW ORGANIZATION OF THE INITIATIVE



The IAC will continue to operate within the Initiative as per its current terms of reference. Although in the new environment, the role for the IAC appears doomed to shrink, it is proposed that the IAC maintain its current structure at least until completion of all remaining country studies in the LAC region, which would represent the fulfillment of the mandate by the Finance Ministers. In a next step the IAC could assume a different role and even change its composition (for example with the direct involvement only of international institutions/bodies such as the WB, IMF, IADB, IOSCO, CPSS/BIS, etc.)

Also, it seems desirable that both the Working Groups on Payments and the Working Party on Securities establish direct and permanent contacts with similar organizations such as the CPSS, through the respective Secretariats. Especially in the longer term, this would appear as a necessary complementary feature to the Initiative's Core Team reliance on the IAC.

The main tasks of each of the institutions/bodies in the new phase will be the following:

CEMLA

- Acting as Secretariat of the Core Team;
- Acting as Secretariat of the Working Group for Payments;
- Participating in and Supporting to (financially and logistically) country missions
- Participating in the revision and update of Country Public Reports;
- Participating in the meetings of the Working Groups (Payments and Securities);
- Participating in other fora of international cooperation to ensure consistency of Initiative's activities with the methodology and organizational arrangements evolving at the international level and to avoid duplication of efforts;
- Organizing the "Payments Week" (see details in the Activities Section below);
- Participating in the preparation of a report on Comparative Statistical Tables (to be completed by June 2002);
- Managing the Initiative's web-page;
- Promoting events to disseminate the knowledge on the issue in the Region.

World Bank (at least until June 2002)

- Participation in country missions;
- Supporting the revision and update of Country Public Reports;
- Training to CEMLA;
- Organizing the IAC meeting and supporting CEMLA in the organization of the "Payments Week";
- Participation in working group meetings;
- Preparing the report on Comparative Statistical Tables (to be completed by June 2002);
- Revising the content of the web-page and providing relevant documentation and information to it.

IAC (at least until January 2003)

- Participating in and supporting to country missions;
- Providing quality control to the country public reports and recommendation reports;
- Examining initiatives promoted in countries already assessed in compliance with recommendations and suggestions received;
- Providing a network of contact points to which requests of information or also of advice on specific issues may be addressed by the teams involved in the assessment of countries of the Region;
- Supporting the revision and update of Country Public Reports;
- Supporting the “Payments Week” and other events to disseminate the knowledge on the issue in the Region;
- Supporting the activities of the Working Groups.

Working Groups

- General Supporting all the activities performed in the context of the Initiative;
- Participating in the preparation of the report on Comparative Statistical Tables (to be completed by June 2002);
- Preparing reports on issues of regional interest.

Local Authorities in the Region (central banks and securities commissions)

- Participating in the country missions, in some cases assuming a leadership role for the international team.

3.2 Action Plan (July 2001-July 2002)

Every year CEMLA, with support from the other institutions involved in the Initiative, will prepare a detailed plan of activities During the period July 2001- July 2002, the action plan will include the following activities:

- The second edition of the “Payments Week” in January 2002, at CEMLA, which includes the meeting of the IAC, a conference on payments and securities settlement issues and a meeting of the Working Group on Payments Issues to finalize its action plan for the year 2002.
- Four country missions comprising, on average, six experts from the Working Groups of Payments and Securities (one or two, in charge of the technical coordination), CEMLA (one), World Bank (two) and IAC (at least one). Countries to be visited in the next rounds include: Bahamas, Barbados, Ecuador, Venezuela, Uruguay, which have requested support from the Initiative.
- Revision and Update of the first country public reports published by the Initiative in 2000.

- Any Follow up of the country missions required to move forward the payments and securities settlement reform in a given country. This activity will generate directly from a specific request of country authorities to CEMLA and/or the World Bank.¹⁶
- Conference on payments issues with the presentation of the work carries out by the working group in the year 2001 (January 2002 in the context of the payments week).
- Seminar on Payments Issues in cooperation with the CPSS.
- Meeting of the Working Group on Payments Issues to coincide with the CEMLA-CPSS seminar.
- Preparation of at least two reports by the Working Group on Payments Issues on matters of relevance to the region.
- Management of the web-page (CEMLA).
- Participation in the meetings of the COSRA Working Party.
- Publication of a report on Comparative Statistical Tables (to be completed by June 2002).
- Launch of a new publication series: “Payments and Securities Settlement Research Series”.

Coordination between the Initiative and the IMF/World Bank Financial Sector Assessment Programs

The International Monetary Fund and the World Bank are carrying out specific Financial Sector Assessment Programs (FSAPs) to identify vulnerabilities and risks in the financial sector. The FSAPs include a specific section on systemically important payment systems, which are assessed with the CPSS core principles and, in some cases, also evaluate the soundness and reliability of securities settlement systems. Recognizing the potential overlapping of FSAPs with the Initiative, a coordination between the two efforts has been sought and achieved since the launch of the Initiative. In particular, the WHI missions to El Salvador and Mexico coincided with the FSAP missions while in other cases, the FSAP work has served as input to the WHI mission (e.g. Colombia) or vice versa (e.g. Argentina). The coordination will continue in the future to avoid any duplications. It needs to be noted, however, that generally the scope of the WHI mission is broader than that of FSAPs in the areas of payments and securities clearance and settlement.

¹⁶ As it is difficult to determine a priori the number of follow-up requests and consequent mission, this activity will not be specified in the proposed budget and will need to be funded separately (see the following section 3.3).

3.3 Annual Budgetary Implications

The activities described above imply administrative responsibilities (which generate disbursements for staff salaries) and operating expenses. These expenses, which generally would be part of the general budget of each institution involved, clearly constitute a significant input to the Initiative. In addition, all institutions participating in the Core Team will incur expenses which are additional to staff salaries and operating costs. All these items are identified below:

CEMLA

- Task of Secretariat of the Core Team (a full-time professional expert, a full-time assistant and operating costs).
- Management of the web-page (a part-time (1/10) webmaster and operating costs).
- Support and participation in country missions (Financial support for travel and accommodation expenses of three team members per mission, four missions per year).
- Editing and publication of eight public reports (English and Spanish) for 4 countries (printing and distribution costs and a part time editor (16 staff weeks))
- Participation in Working Groups Meetings and conferences and working meetings at the World Bank and the BIS (8 meetings).
- Organization of the Conferences: World Bank-CEMLA –January 2002- and CPSS-CEMLA.
- Preparation of the report on comparative statistical tables and publication of papers within the research series (June 2002).

World Bank

- Participation of two experts on a part time basis to the activities of the Core Team and occasional participation of other experts to seminars and meetings of the Initiative (salaries and operating costs).
- Training to CEMLA (salaries and operating costs).
- Revision and documentation of the web-page (salaries and operating costs).
- Participation to the country missions with 2 experts per mission, four missions per year.
- Organization of the IAC meeting and support to the “Payments Week”.
- Participation in the working groups meetings.
- Support to publications.

IAC

- Participation of experts to meetings, seminars and missions (salaries and operating costs).
- Travel and accommodation expenses for country missions, at least one per mission, four missions per year.¹⁷
- Participation to the meeting of the IAC in January 2002

Working Groups

- Participation of experts from central banks and securities commissions in the meetings and other activities of the Working Groups (salaries and operating costs).

¹⁷ The participation of IAC representatives to country missions has been characterized by different budgetary arrangements. In many cases, the IAC institutions have covered all travel costs connected, while in others the World Bank has financed part of all of them. In the new phase, the assumption is that at least one IAC institutions per mission will cover entirely the travel costs of its representative.

Western Hemisphere Payments and Securities Clearance and Settlement Initiative



ANNEX II

Background Paper

The Creation of a Working Group on Payment Systems Issues of Latin America and the Caribbean (WGPSLAC)

1. International Background

The importance of modernizing payment systems for promoting more efficient financial markets, adopting effective risk control measures and accelerating international financial integration is by now widely accepted at the international and national level. At the same time, the speed of technological innovation and the changing market needs make clear that payment systems are constantly evolving and need to be effectively and continuously upgraded and overseen. The globalization of financial markets accelerated by the increasing importance of capital flows and Foreign Direct Investments, and the growing international trade have multiplied the linkages among domestic and foreign payment systems, creating the need for increasing cooperation among supervisory authorities across borders.

During the eighties cooperative efforts among the central banks of G-10 countries in the payment systems area led to the establishment of the Committee on Payment and Settlement Systems (CPSS) within the Bank for International Settlements (BIS). Since its creation, the CPSS has played a very important role in disseminating knowledge in this area and in developing a consensus as to best international practices in the form of international standards for assessing national payment systems. At the end of the Eighties, member countries of the European Community (EC, now European Union) formed a Working Group on EC Payment Systems (WGPS) with the objective of promoting the integration of the European payment systems supporting the creation of the Economic and Monetary Union (EMU). The WGPS was essential in developing a common approach in systems development. At the start of the third phase of the EMU, the Working Group was transformed into a Committee active within the System of the European Central Banks (Payment System and Settlement Committee). Other co-

operative efforts in the area of payment systems have been launched in some regions of Africa, Asia, Middle East, Latin America and Eastern Europe.

A growing attention is being paid to the links and interactions between interbank and securities settlement systems. In this field, the CPSS and IOSCO started a few years ago a fruitful cooperation and have currently developed together specific recommendations for safe and efficient securities settlement systems.

2. Creating a Working Group on Payment Systems Issues in Latin America and the Caribbean (WGPSLAC)

With the cooperation of the World Bank, the *Centro de Estudios Monetarios Latinoamericano* (CEMLA) has been active since the mid-nineties in supporting work on payment systems in the Region. Several workshops and country studies on payment systems issues have been organized with CEMLA's support in cooperation with international organizations such as the BIS, the World Bank and the International Monetary Fund.

CEMLA also acts as the Secretariat of the Western Hemisphere Payments and Securities Clearance and Settlement Initiative (WHI) launched by the World Bank in 1999 at the request of the Finance Ministers of the Western Hemisphere. This initiative is assessing payment and securities clearance and settlement systems in a number of countries within the region, with the objective of promoting awareness and speeding the reform of the countries' financial infrastructure. Moreover, the Initiative has become the regional forum for discussion and cooperation between central banks and securities commission in clearance and settlement issues.

CEMLA's efforts in further strengthening the network of payments experts are motivated by the following factors: (i) the growing awareness of the local authorities and market participants of the need to modernize national clearing and settlement systems and the implementation of payment system reforms in a growing number of countries in the region; (ii) the momentum created by the activities supported by the World Bank in the context of the Western Hemisphere Initiative with the active participation of regional institutions and the necessity to give continuity to these efforts; (iii) the experience accumulated in similar cooperative efforts in other regions of the world and the positive outcomes resulting from these efforts; and (iv) the recent creation by the Council of Securities Regulators of the Americas (COSRA) of a Working Party on Securities Clearance and Settlement, with participation of the WHI, and the Party's current work on issues of common interest such as "Delivery Versus Payment" and "Settlement Assurance".

Against this background, CEMLA and many central banks considered that one of the means to achieve the common objectives of strengthening safety and efficiency of payments systems in the Region on an on-going basis and enhancing cooperation between central banks and other regulators in the field of securities settlement would be the creation of a Regional Working Group on Payment Systems Issues (WG). To discuss the subject, in January 2001 a group of regional central banks' payment experts convened at CEMLA for 2 days, following the World Bank-CEMLA Conference on "Recent

Developments in Payment and Securities Settlement Systems: An Exchange of Experiences”. A methodology for the works of the regional group was agreed (see below) and tentative Terms of Reference were prepared (see Appendix I).¹⁸ It was also agreed to prepare and submit this document to the Board of Central Bank Governors’ meeting in May 2001 to seek their support and final approval for the creation of the Working Group.

3. Working Group’s Activities and Methodology

During the January meeting, a number of potential activities to be performed by the Working Group were discussed and agreed upon. They include: 1) the preparation of ad hoc Technical Reports on payment system issues relevant to the region; 2) the dissemination of knowledge on payment system issues in the region; 3) supporting CEMLA and country authorities in the preparation and update of descriptive reports and recommendations on payments and securities settlement systems in individual countries; 4) the promotion of cooperation with other institutions active in payment systems within the region and at the international level, particularly the CPSS.

The Working Group’s organizational arrangements will focus on minimizing costs by reducing to the minimum possible the number of WG meetings and making them coincide with other regional events in the field. In particular, the two proposed annual meetings could coincide with the annual conferences which CEMLA organizes respectively with the CPSS of the BIS and the World Bank-CEMLA Seminar. Working Group members will make extensive use of modern techniques (e.g., e-mails and teleconferencing) to make sure that the reduction in the number of meetings does not affect the quality of the deliverables.

The Working Group will count on effective leadership by three central banks on a rotating basis (one Chair and two Deputy Chairs with a mandate of one year). This will allow the distribution of the work-load over the years among regional central banks. Activities for the year will be agreed upon at the January meeting and submitted to the top management of the region’s central banks for final approval. It must be stressed that the Working Group will develop appropriate mechanisms to involve in the discussion and decision making process all the central banks in the region which are not represented directly in the group.

The Working Group will seek actively cooperation with other international bodies and institutions. In particular, representatives from the COSRA Working party on Securities Settlement Issues will be invited to participate to the WG meetings on a regular basis. On the other hand, WG representatives and CEMLA will also participate in the meeting of the COSRA Working party. In addition, the Working Group can invite to its meetings representatives from other institutions as observers. Finally, the Working Group will identify appropriate means to cooperate with other similar bodies outside the LAC region.

¹⁸ For the List of Participants and Agenda of the Meeting see Appendix II.

APPENDIX I

The Working Group on Payment Systems Issues in Latin America and the Caribbean (WGPSLAC)

TERMS OF REFERENCE

Objective

CEMLA's member Central Banks form a Working Group on Payment Systems Issues in Latin America and the Caribbean (WGPSLAC), with the objective of supporting initiatives which could contribute to enhance efficiency, transparency and safety of the payments and securities and settlement systems of the Latin America and Caribbean region, in the context of the monetary policy regime of each country.

Activities

- ◆ The Working Group (WG) will promote the preparation of ad hoc Reports on payments and securities settlement issues, which might serve as a reference point for the on-going reform in the region.
- ◆ The WG will promote the knowledge of payment system issues in the region. To this end, the Working Group will use any means it might find appropriate (workshops, seminars, web pages, newsletter, etc.).
- ◆ The WG can support any activities promoted by CEMLA and/or individual country authorities in the field of payments and securities.
- ◆ The WG will promote cooperation with other institutions active in payment systems within the region and at the international level.
- ◆ The WG will support CEMLA in managing the Western Hemisphere Initiative's web page.

Organizational Structure and Representation

- ◆ CEMLA will serve as Secretariat of the WG.
- ◆ In its early stage of Development, the WG will benefit from the active technical support of the institutions involved in the Western Hemisphere Initiative.
- ◆ The WG will comprise 12 senior payment experts appointed by the respective central banks and, subsequently, will identify its final configuration and appropriate mechanisms to ensure representation of all central banks in the region.
- ◆ The WG will have a Chair and two Co-chairs, to be appointed for a one year term. Exceptionally, the first rotation will occur on 31 December 2002. However, the payment experts within the Group might propose that the Chair and two Co-chairs remain in their positions for a longer period of time.
- ◆ The Working Group will present the election criteria to the Board of Governors for approval.
- ◆ The COSRA Working Party is invited to join the WG with a maximum of two (2) representatives.

- ◆ The WG will invite, if needed, other institutions and/or individual experts to participate to meetings with the status of observers on a permanent or temporary base.

Meetings

- ◆ The number of yearly meetings to be held will be decided by the Working Group at the beginning of the year subject to the approval of the Governors of the participating central banks
- ◆ The venue of the meeting can vary according to the needs and decisions of participating institutions
- ◆ To minimize the use of resources the WG will rely heavily on communication from headquarters via emails.

First Topics to be considered

- ◆ The Working Group will decide at the beginning of each year the topic(s) it will focus on for that year.
- ◆ Possible topics for the first year are:
 1. Real Time Gross Settlement Systems in LAC.
 2. The role of the central bank in the payment system in LAC
 3. The relation between interbank payment and securities clearance and settlement systems LAC.

APPENDIX II

List of Participants and Agenda of the Meeting of the Steering Committee for the Creation of the Working Group on Payment Systems Issues in Latin America and the Caribbean (WGPSLAC)

México, D.F., 25 and 26 January 2001

The meeting of the Steering Committee for the Creation of the Working Group on Payment Systems Issues in Latin America and the Caribbean (WGPSLAC) took place at CEMLA, in Mexico City on 25-26 January 2001. The following institutions were represented:

Banco Central de la República Argentina

Rubén Berti
Gerente Departamental, Secretario Ejecutivo de la
Comisión Interbancaria de Medios de Pago

Central Bank of Barbados

Victor Springer
Senior Director of Banking and Currency Department

Banco Central do Brasil

José Antonio Marciano
Chefe Adjunto de Departamento

Banco Central de Chile

Andrés Muñoz
Jefe Área Sistemas de Pago

Banco de la República, Colombia

Gerardo Hernández
Gerente Ejecutivo-Secretario de la Junta Directiva

Joaquín Bernal
Subgerente de Operación Bancaria

Banco Central de Costa Rica

Carlos Melegatti Sarlo
Director Técnico del Sistema de Pagos

Eastern Caribbean Central Bank

Garth Nichols
Deputy Director Research and Information

Bank of Guyana

Leslie Glen
Director, Operations Department

Banco de México

Francisco Solís
Gerente de Sistemas de Pago

Banco Central de Reserva del Perú

Marylin Choy
Gerente Central en Asuntos Técnicos

Central Bank of Trinidad and Tobago

Joan John
Senior Manager, Research and Policy

Banco Central del Uruguay

Juan Carlos Álvarez
Operador I

Banco Central de Venezuela

Belkys Apolinar
Asesor Ejecutivo de la
Vicepresidencia de Operaciones Nacionales

The following representatives participated in the meeting as observers: Massimo Cirasino, Sonsoles Gallego and Mario Guadamillas (*World Bank*); Jeff Stehm and Bridget Spaniel, (*Board of Governors of the Federal Reserve System*), Alfredo Leitão (*Banco de Portugal*), Gregor Heinrich (*Committee on payment and Settlement Systems of the Bank for International Settlements*), Alberto Rabinstein (*Comisión Nacional de Valores de Argentina in representation of COSRA*), and Kai Barvell (*International Monetary Fund*).

For CEMLA, the following representatives participated in the meeting: Kenneth Coates, Luis Alberto Giorgio Burzilla, Adriana Alverde, and Ruben Gattelet.

The meeting was chaired by Luis A. Giorgio (CEMLA) under the following agenda:

1. Opening remarks and Tour-de Table;
2. Discussion on the Terms of Reference of the **Working Group on Payment Systems Issues in Latin America and the Caribbean (WGPSLAC)**;
3. Definition of the WG methodology and next steps.

CEMLA, Mexico City, April 2001



ANNEX III

Statement on the New Role for CEMLA in the WHI and the Creation of the Working Group on Payments Systems Issues for Latin America and the Caribbean

At the Assembly of Central Bank Governors of Latin America and the Caribbean, held in Rio de Janeiro, Brazil, on May 25, 2001, a strengthened role for CEMLA in the context of the Western Hemisphere Payments and Securities Clearance and Settlement Initiative (WHI) was approved. Thus, as originally planned by the parties involved in the WHI, by means of this mandate CEMLA will be assuming the leading role in this second stage of the WHI and, in turn, the role of the World Bank will evolve from leadership to support of the Initiative's activities.

The creation of a Working Group on Payments Systems Issues for Latin America and the Caribbean (WGPS-LAC) was also approved by the Region's Central Bank Governors. The WGPS-LAC, with CEMLA as its Technical Secretariat, will play a key role on giving continuity to the discussions on progress and experiences in implementing standards, on performing an educational effort to help raise the general level of awareness of standards among market participants and to promote seminars and cross-country studies.

Along with the WGPS-LAC, CEMLA will continue to carry on this effort in close partnership with the World Bank, the Committee on Payment and Settlement Systems and the other institutions represented in the IAC, especially in the following months of transition.

Mexico City, June 1, 2001