Okay, Can

From: Jackson, Kathie on behalf of CPSS, Service
Sent: Friday 15, June, 2012 16:18
To: Okay, Can; Lindley, Robert
Subject: Comments on CPSS-IOSCO Assessment Methodology and DisclosureFramework for the PFMI

From: Samar Banwat [mailto:SamarB@nsdl.co.in]
Sent: Friday 15, June, 2012 15:23
To: CPSS, Service; 'fmi@iosco.org'
Subject: Comments on CPSS-IOSCO Assessment Methodology and DisclosureFramework for the PFMI

The CPSS Secretariat

The IOSCO Secretariat

Greetings from NSDL,

Our comments on the Consultative report for the CPSS-IOSCO Assessment Methodology and Disclosure Framework for Principles for Financial Market Infrastructure (PFMI) are given below:

1. The Disclosure Framework (DF) envisages the FMI to provide narrative disclosure for the key elements and key considerations for each of the Principles and the DF is expected to be publicly disclosed. The purpose of the DF document is to assist FMIs provide a comprehensive disclosure required under Principle 23. However, on a plain reading of Principle 23 (*reproduced below for reference*), there does not appear to be any clear requirement on the FMI to provide narrative disclosure on a principle-by-principle basis. Thus, if it is expected that the DF must be publicly disclosed in the form and manner envisaged in the DF document, it is imminent that the Principle 23 is amended to mandate such a clear requirement.

   "An FMI should have clear and comprehensive rules and procedures and should provide sufficient information to enable participants to have an accurate understanding of the risks, fees, and other material costs they incur by participating in the FMI. All relevant rules and key procedures should be publicly disclosed."

2. The DF document envisages the FMIs to provide narrative disclosure for the key elements and key considerations for each of the Principles. The Assessment Methodology (AM) document also envisages responses for each question for the key elements and key consideration for each of the Principles. This would lead to duplication. Further, public disclosure by the FMIs in a narrative form for

each key element may require FMIs to disclose confidential information even though FMIs are careful not to disclose confidential information, as suggested at clause 3(9) of the DF document. Thus, it is suggested that the key findings of the AM (*such as Ratings summary for each Principle as described at Table 1 – page 15 of the AM*) are disclosed publicly rather than preparing a separate document (i.e. DF document) for public disclosure.

3. Currently, FMIs who are CSDs, are providing information to Thomas Murray and Association of Global Custodians on a regular basis. This involves the CSDs to provide responses to detailed questions. Considering that CSDs will have to provide such responses for the AM and DF documents also on a regular basis, it is suggested that these documents are reviewed so that all the questions required for the Thomas Murray and the AGC questionnaire are covered in the new AM and DF documents.

4. As per point no. (1) of the cover note to final report and two consultative documents, it is mentioned that CPSS and IOSCO members will strive to adopt the new principles by the end of 2012 and put them into effect as soon as possible. Considering the limited time available now, we would like to suggest that the aforesaid date be extended to end of the year 2013.

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Using innovative and flexible technology systems, NSDL works to support the investors and brokers in the capital market of the country. NSDL aims at ensuring the safety and soundness of Indian marketplaces by developing settlement solutions that increase efficiency, minimise risk and reduce costs. At NSDL, we play a quiet but central role in developing products and services that will continue to nurture the growing needs of the financial services industry.

NSDL is the largest depository in India, holding about 85% of the value of securities held in electronic form and has more than 12.1 million Demat accounts which are serviced through more than 14,000 branches of its Participant spread across country in about 1,550 cities and towns.

With Best Regards,

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