

FMI STANDARD 17A: CONTINGENCY PLANS

17A



Reserve Bank
of New Zealand
Te Pūtea Matua



FINANCIAL MARKETS AUTHORITY
TE MANA TĀTAI HOKOHOKO

DOCUMENT VERSION HISTORY

1 March 2024	First issue date
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INTRODUCTION

Application

- i. This standard applies to every operator of a designated FMI that was specified in its designation notice under section 29(2)(f) of the Financial Market Infrastructures Act 2021 (the **Act**) as falling within one or more of the following classes of designated FMIs:
 - (a) a pure payment system; or
 - (b) a securities settlement system; or
 - (c) a central securities depository; or
 - (d) a central counterparty.

Legal powers

- ii. Under section 8 of the Act the regulator is defined as the RBNZ and the FMA acting jointly (or the RBNZ acting on its own in relation to pure payment systems).
- iii. Section 12 of the Act provides the regulator's functions. These include regulating designated FMIs, dealing with designated FMIs that are distressed, and other functions under the Act.
- iv. Subject to certain statutory prerequisites, section 31 of the Act empowers the regulator to make standards for designated FMIs.
- v. Section 34 sets out the matters that standards may deal with or otherwise relate to. Section 34(1)(f) provides that a standard may deal with, or otherwise relate to, FMI contingency plans.
- vi. Section 47 of the Act requires each operator of a designated FMI to ensure that the designated FMI has FMI contingency plans that are:
 - (a) comprehensive, adequate, and credible, taking into account the type of FMI concerned and the activities carried out under it; and
 - (b) capable of being activated and implemented effectively when appropriate.
- vii. Sections 48 to 51 of the Act govern the operator's obligations in relation to an FMI contingency plan and the regulator's powers in relation to FMI contingency plans.

Interpretation

- viii. The words and phrases used in this standard have the same meaning as in the Act.
- ix. **Essential services** means:
 - (a) for services provided by designated FMIs which are assessed as

systemically important by the regulator under section 24 of the Act, all services contributing to the assessment that an FMI is systemically important; and

- (b) for services provided by designated FMIs that are not assessed as systemically important under section 24 of the Act, any services covered by the protections in subpart 5 of Part 3 of the Act.

Commencement

- x. This standard comes into force on 1 March 2024.

REQUIREMENTS

- 1) An operator must ensure that the FMI contingency plans for the designated FMI:
 - a) identify the FMI's essential services; and
 - b) identify scenarios that pose a significant risk of disrupting the FMI's activities, including events that could cause widespread or major disruption; and
 - c) identify scenarios that have a significant risk of placing the operator under financial stress and could affect the ability of the FMI to continue to provide essential services; and
 - d) set out the interaction between the FMI contingency plans and the FMI's rules; and
 - e) set out what constitutes an acceptable degree of recovery following a scenario described above in (b) and within what timeframes, and if recovery within 2 hours is not possible, the reasons why; and
 - f) set out how the FMI, following a scenario described in (b), will complete settlement by the end of day; and
 - g) set out policies and procedures, including management procedures, designed to respond to identified operational and financial risk events; and
 - h) include a set of financial recovery tools that are reliable, timely, effective, legally robust, and enforceable, taking into account the nature of the FMI's operations; and
 - i) include procedures to allow for a change to the operator of the relevant FMI (except where the operator is a central bank); and
 - j) set out how an FMI would be wound down in an orderly manner if essential services cannot be provided on an ongoing basis and an alternative operator is not available (except where the operator is a central bank); and
 - k) set out arrangements for testing and reviewing of the contingency plans on at least an annual basis; and
 - l) set out the persons responsible for maintaining, activating, and implementing the plans; and
 - m) set out the procedure for activating the FMI contingency plans.

(See Guidance for Standard 17A: 'Contingency Plans', in Guidance for the FMI Standards for more detail).