



BANK OF GREECE

MONETARY POLICY AND BANKING DEPARTMENT

Athens, 02/10/2002

To: Mr Helmut Wacket
Directorate Generale Payment Systems
ECB
From: I. Kouris
PSSC member

Subject: Public Consultation regarding Oversight Standards for euro retail payment systems.

Regarding the public consultation on the oversight standards for euro retail payment systems, we would like to forward you attached the contribution of DIAS S.A., a retail payment system, which submitted its comments to the Bank of Greece.

According to DIAS S.A., the application of the sub-set of Core Principles to retail payment systems is considered essential. In addition compliance with Core Principle IV (prompt final settlement) should also be mandatory for retail payment systems. In this context, settlement at the end of the day should be the minimum standard as it should be highly desirable that systems—especially those processing small to medium value payments—provide for multiple settlements in the course of the day.

M. Vindos 5051 e

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OVERSIGHT STANDARDS FOR EURO RETAIL PAYMENT SYSTEMS

With reference to the above subject, we wish to make the following comments:

1. Application of the recommended Core Principles

1.1. The application of a sub-set of the Core Principles in euro retail payment systems is necessary. In fact, we believe that such sub-set could also include Principle IV (*Prompt final settlement*), in addition to the six Core Principles that you recommend. This principle should be interpreted as implying that several settlement cycles take place during the day, which is desirable particularly in the case of payment systems mostly handling medium-value transactions. Those of such payment systems that settle in central bank money should be enabled by national RTGS to carry out several settlement cycles during the day. This will ensure the final settlement of payments involving significant amounts and having a potential impact on end-of-day settlement.

1.2 The application of the recommended Core Principles on DIAS S.A. is likely to face some difficulties, such as:

- Compliance with Principle VIII (*Efficiency*), insofar as it involves the implementation of international standards, would take some time, given that many of our branches apply a "customised" version of international standards in response to domestic needs.
- As far as Principle XI (*Access criteria*) is concerned, our system envisages two types of participants: shareholders and users, both of which are required to hold a settlement account with the central bank. Thus, foreign banks cannot have remote access, unless they have a branch in Greece and hold a settlement account with the Bank of Greece. Another restriction on remote access is likely to arise due to the fact that, as DIAS S.A. settles through the Hermes system, both shareholders and users must be participants in Hermes, too.

2. Other Core Principles

2.1 Regarding Principles III (*Management of financial risks*), V (*Settlement in multilateral netting systems*) and VI (*Settlement assets*), these, in our view, should be applied flexibly, according to the requirements and conditions of the domestic market in question. Our overall assessment is that the value of transactions handled, at least through our system, does not give rise to concerns of non-compliance with the relevant standards.

2.2 In the context of the possible application of Principles III (*Management of financial risks*), V (*Settlement in multilateral netting systems*) and VI (*Settlement assets*), it would be better if DIAS S.A. opened a settlement account with the Bank of Greece and settled through such account. The current practice is that the clearing balances are transmitted to the Bank of Greece, which then proceeds with the debiting/crediting of the respective settlement accounts of participant credit institutions through HERMES. This change would require a considerable amount of time.