

February 20, 2019

PRC Releases Consultative Chapter on Best Practices for Direct and Indirect Participation in Payment Systems

The Payments Risk Committee (PRC) today released a chapter on Direct and Indirect Participation in Payment Systems from its Report on Best Practices for Payments, Clearing and Settlement Activities. These best practices seek to affirm sound existing practices and suggest enhancements to generally practiced behavior. The best practices are not intended as binding rules or regulatory guidance. As each bank considers these best practices, it should take into account its own unique characteristics, such as asset size, transaction volume, and the level of the bank's integration within the financial market infrastructure. The best practices effort will be a living document structured so that new practices can be added or existing practices can be modified to address changes and challenges over time.

The Direct and Indirect Participation in Payment Systems chapter offers governance, liquidity, legal, and operational considerations and best practice recommendations for managing direct access to a payment system via the operator or indirect access via a relationship with a correspondent bank. Often, the payment system operator has rules and requirements that govern direct participation, and as such, these best practices build upon those requirements. Correspondent banking relationships are less defined and therefore, these best practices are more focused on indirect participation.

Members of the public may submit comments until April 22, 2019 to PaymentsRisk.Committee@ny.frb.org. Comments received during the consultation period may be published on the PRC website. The PRC may consider developing related best practice recommendations and expects to publish a final version of the document following the conclusion of this comment period.

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About the Payments Risk Committee (PRC):

The Payments Risk Committee (PRC) is a group of market professionals committed to fostering enhancements to the safety and efficiency of financial market infrastructure, particularly the clearing and settlement of financial transactions. The PRC is primarily composed of senior business managers at large financial institutions and is sponsored by the Federal Reserve Bank of New York.

More information is available at: www.newyorkfed.org/prc

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