

FMI STANDARD 8: SETTLEMENT FINALITY

FS8



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 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)(e)(vi) provides that the regulator may make standards that deal with or relate to a variety of specific risks, including legal risk. Ensuring settlement finality is one way of managing legal risk. Section 34(1)(h) also allows the regulator to make standards dealing with, or otherwise relating to, rules and procedures for managing a participant defaulting on its obligations under the rules of the FMI.

Interpretation

- vi. Words and phrases used in this standard have the same meaning as in the Act.
- vii. **Value date** means the day on which the payment, transfer instruction, or other obligation is due.
- viii. **High value payment system** means a funds transfer system that typically handles large-value and high-priority payments.

Commencement

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

REQUIREMENTS

- 1) An operator must ensure that the FMI provides clear and certain final settlement, at a minimum by the end of the value date.
- 2) Further to clause (1), an operator must ensure that:
 - a) the rules and procedures for the FMI clearly define the point at which settlement is final; and
 - b) the FMI (unless it is a high value payment system or securities settlement system) completes final settlement no later than the end of the value date to reduce settlement risk; and
 - c) where it is the operator of an FMI that is a high value payment system or securities settlement system, it adopts real time gross settlement or multiple-batch processing during the settlement day; and
 - d) it clearly defines the point after which unsettled payments, transfer instructions, or other obligations may not be revoked by a participant.

(See Guidance for Standard 8: 'Settlement Finality', in Guidance for the FMI Standards for more detail).