

# Managing Risk in Wholesale & Large Value Payment Systems

A 2-day Primer on Identifying and Managing Risks in Wholesale Payment Systems

## Why you should attend

### Who Should Attend

Experienced banking, treasury, back office and operations professionals who are interested in expanding their knowledge base and advancing their careers into the wholesale payments arena, Treasury & Risk Management Staff from Financial Institutions, Investment Banks, Central Banks/Payment System Operator Organizations, Clearing Houses, Consultancy Groups, Legal Firms and Regulators who deal with or are exposed to;

- Wholesale Payments
- Clearing and Settlement
- Securities Settlement
- Risk Management
- Liquidity Risk and Control
- Collateral Management
- Treasury
- Back Office Operations
- Middle Office Operations
- Branch Management
- Global Payments Processing
- Risk and Approval
- Cash Management

The Risks in Wholesale Payment Systems Course is designed to provide professionals who have a command of banking and treasury concepts and issues in a domestic environment with a high quality education foundation for understanding the risks within the context of wholesale payment systems, including the key principles, concepts, infrastructures, practices, issues, and developments.

**Citadel Advantage** offers an intensive 2-day course taught by experienced practitioners with extensive wholesale payments experience. This course is organized into four basic sections which cover the various aspects of wholesale payment systems, the critical risk factors, the legal framework for interbank payment systems, a typical commercial (and central) bank payment system risk policy.

### How you will benefit from this course

- Understand the characteristics of wholesale payments
- Learn how wholesale payments really operate
- Gain a knowledge of wholesale payment system models - RTGS, LVTS, hybrid- settlement models, high-value net settlements
- Learn about the operation of specific wholesale payment systems such as CHIPS, CHAPS, Fedwire, TARGET 2 and CLS
- Identify interbank payment messaging systems and in-house funds transfer systems
- Understand securities settlement systems, their operation and their integration into the wholesale payments structure
- Define the role of risk management and liquidity management in wholesale payment systems
- Learn how to implement an active risk mitigation program for all the risks in wholesale payments
- Gain knowledge on the legal aspects surrounding the processes & systems
- Access a deeper insight into the evolving wholesale payments systems landscape – what is changing and why

# What is the curriculum focus?

## What the course covers

### What is a Payment?

- Payments systems and the larger economy
- The payments process
- The payments infrastructure and the various markets

### Interbank Payments & Messaging Systems

Interbank funds transfer and messaging systems, and interbank clearing and settlement systems as well as providing an overview of Internet-based wholesale payment systems. This includes;

- Definitions of payment systems
- Understanding what payments instruments are used
- Learning about the payments infrastructure
- Understanding the Settlement process
- How a Real Time Gross Settlement (RTGS) system works

### Specific Payments & Messaging Systems

We examine specific wholesale systems and their operation. This includes RTGS systems, high value net settlement systems and international wholesale systems. We explore and examine relevant examples:

- Fedwire
- CHIPS
- CHAPS
- TARGET2
- Continuous Linked Settlement
- The role of SWIFT
- Securities settlements & systems and their linkage to wholesale systems



### In-house Funds Transfer Systems

The internal operations within the bank in respect of wholesale payments.

- Internally developed & Off-the-Shelf wholesale systems
- Internal payment messaging systems
- In-house terminals
- Non-automated payment order origination
- Funds transfer operations (the traditional Wire or Cable Room)
- Computer and network operations supporting the funds transfer environment

For further details please contact

## Citadel Advantage

e-mail: [courses@citadeladvantage.com](mailto:courses@citadeladvantage.com)

**Phone:** We have three regional numbers, located in Hong Kong, United Kingdom, and United States, to make calling us easier.

**Asia Pacific: +852 8175 7916**

**Europe: +44 20 7193 5913**

**North America: +1 408 627 7607**

**If you live outside one of these three regions, please call the region located closest to you.**

### Securities Settlement Systems

A large volume of wholesale payments typically processed by banks emanate from securities settlements. We examine the major securities markets and securities settlement systems, as well as describing these settlement processes. Case study and examples include:

- Major securities markets
- Fedwire's National Settlement Service
- CREST
- LCH Clearnet

### What is Risk?

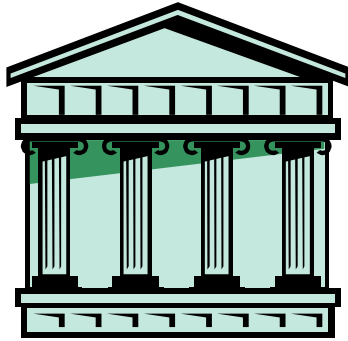
Course participants are given a general introduction to risk by exploring and discussing a range of risk definitions. We expand this theme to also examine the issues, practices, and developments surrounding the identification, analysis and mitigation of risk.

- Defining risk – credit, liquidity, operations, strategic, reputation
- Enterprise risk management
- Risk mitigation policy
- Determining the risk appetite
- Determining probability and impact
- Risk analysis – the “Environmental Survey” and the “Technology Inventory”

# What is the curriculum focus?

## Wholesale Payments System Risk Management

Best practice in payment system risk management and obtain a deeper understanding of the risk management standards currently in use. Included is a detailed exposition of all the requirements – what they say and what this means.



- The standards – for wholesale payment systems and for securities settlements
- Bank for International Settlements (BIS)
- International Organization of Securities Commissions (IOSCO)

## Measuring & Mitigating the Risks

More important than understanding the risks are how to measure and how to mitigate them.

Payments System Risk Policy

The “how” of implementing the risk mitigation policy  
Specific risks and their mitigation – We deal with all the risk categories associated with wholesale payment systems and details practical approaches to their mitigation. Included are;

- Reputation risk



- Strategic risk
- Credit risk
- Intraday credit risk (through customer daylight overdrafts)
- Settlement risk
- Liquidity risk
- Legal (compliance) risk
- Operational (transaction) risk
- Internal and operational controls
- Audit
- Information security
- Business continuity planning (BCP)
- Vendor & third-party management
- Information technology risks and its control

## What should be Included in the Examination of Wholesale Payment System Risk

“Examination by Objective” for implementing risk mitigation procedures. Key objectives include:

- Controls over funds transfer activity
- Written procedures for funds transfer operations
- Controls over client instructions
- Control over operations - physical & logical security
- Adequacy of legal agreements
- Payment processing and accounting controls
- Personnel policies
- Monitoring intraday and overnight positions
- Controlling incoming funds transfers
- Compliance requirements

## How Does Your Payments Infrastructure Measure Up?

Risk Controls – Internally developed & Off-the-Shelf Systems

- Risk Controls - Non-Automated Payment Order Origination
- Risk Controls - Wire room operations (both in large volume users and smaller banks)

## Liquidity Risk

*Special Theme – Liquidity Risk*

Managing Liquidity Risk is a critical function and integral part of any wholesale payments system.

The role of liquidity management in the wholesale payments area is explored.

- Liquidity sources
- Critical steps in managing liquidity
- Account structures, common pooling and cash concentration techniques

## Legal Risk - Legal Framework for the Interbank payment system

*Special Theme – Legal Risk*

The legal infrastructure is critical to the safety of the payment system. National and local (where appropriate) statutes, regulations, and case law govern the payment systems in most countries.



- Responsibility & liability for operational failure in wholesale systems
- Legal frameworks for interbank payment systems in the United States
- Legal frameworks for interbank payment systems in the European Union