

April 11, 2001

Secretariat to the CPSS-IOSCO Joint Task Force  
on Securities Settlement Systems  
Bank for International Settlements  
CH-4002 Basel  
Switzerland

Re: **Joint Task Force Recommendations**

Members of the Joint Task Force:

On behalf of the Federal Reserve Bank of Chicago (the "Bank"), I am pleased to have this opportunity to comment on the Report of the CPSS-IOSCO Joint Task Force on Securities Settlement Systems entitled *Recommendations for Securities Settlement Systems* (the "CPSS-IOSCO Report"). The Report represents a significant step toward assuring that securities settlement systems are designed, operated and overseen in a manner that is consistent with the public interest.

As you may be aware, the Bank provided comments to the Committee on Payment and Settlement Systems regarding the Report of the Task Force on Payment System Principles and Practices entitled *Core Principles for Systemically Important Payment Systems* (the "CPSS Report") in September 2000. The primary purpose of that submission, a copy of which is attached, was to express the Bank's support for a standard that calls for little or no credit risk and little or no liquidity risk in respect of the settlement assets in a systemically important payment system. However, the Bank advocated the modification of Core Principle VI to delete the explicit preference for settlement in central bank funds, which it considered unnecessary, counterproductive and contrary to the CPSS's stated objectives.

I am writing to express the Bank's support for the approach the Joint Task Force took in its recommendation regarding assets used to settle the cash leg of securities transactions. The Bank believes that the approach reflected in that recommendation balances the relevant considerations.

I hope that the Joint Task Force will find our comment useful. If you have any questions, I invite you to contact Robert Steigerwald at (312) 322-2414, Bill Bergman at (312) 322-2532, Richard Lamm at (312) 322-6807 or James Moser at (312) 322-5769.

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Once again, I appreciate the Joint Task Force's work to promote international consensus regarding sound principles for the design and operation of securities settlement systems and the opportunity to provide the Bank's comments to the Task Force.

Sincerely,