

BANK FOR INTERNATIONAL SETTLEMENTS

CH-4002 BASLE, SWITZERLAND

CPSS Secretariat

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GUIDE TO PRODUCING A RED BOOK

The objective of a Red Book is to provide a clear and reasonably comprehensive description of a country's payment systems to a reader who has some familiarity with payment systems in general but who knows little or nothing about the particular arrangements in that country.

To provide some consistency and make cross-country comparisons easier, the main section headings are standardised (see below). However, the length of the material and the way in which it is organised within the standard headings can vary, depending on what works best in each case. To avoid unnecessary duplication of material between sections, you can cross-refer forwards or backwards - for examples of this, see Section 1.4 of the Belgian entry and Section 5.4 of the Canadian entry in the current G-10 Red Book. If for some reason some information is to be provided on a specific aspect (e.g. legal issues), a separate annex could be used.

PROCESS

A first draft of the Red Book is produced by the central bank of the country concerned. This is then sent to the Secretariat of the CPSS (Committee on Payment and Settlement Systems) which will offer comments on general content, clarity and so on. If they would find it helpful, the authors of the Red Book are very welcome to come to Basle to discuss the draft with the Secretariat; in some cases it might also be possible for a member of the secretariat to visit the central bank.

The central bank then revises the draft as it sees fit and a near-final version is sent back to the Secretariat, who will put it into CPSS format (i.e. standard type face, paragraph layouts and so on) and, as appropriate, arrange for the translating section at the BIS to look at the text to ensure consistency of style.

Once the central bank has agreed the final draft, the Secretariat will organise publication of the Red Book and its distribution (copies are sent to all G-10 central banks for distribution in their respective country; the BIS also has its own international mailing list). Copies will also be sent to the central bank of the country concerned for distribution there.

It is helpful if, at an early stage in the process, the central bank can nominate a single person there as a contact point on Red Book matters and provide the Secretariat with his/her address and fax/phone numbers. It is also helpful if the Secretariat can be told as soon as possible how many copies of the Red Book are needed for local distribution by the central bank.

The experience has been that the whole process can easily take more than six months.

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SECTION HEADINGS

Here we describe briefly the sort of topics that should be covered in each section. However, the best way to get a feel for what to include (and for how to present the material) is to look at the existing Red Book for the G-10 countries, as well as at the separate Red Books which have been published. (References in brackets below are to the December 1993 edition of the G-10 Red Book).

Introduction

Not all countries include an introduction. However, you may find it useful to have one in order to provide the reader with a general overview of the payments process in your country, including perhaps a more subjective and qualitative view than might be appropriate in the more detailed sections later on. For example, you might want to give some historical background that helps to explain how payment systems developed the way they did; you might want to give a very general overview of the most common methods of making payments and the institutions that provide payment services; or you might want to give an indication of the extent to which the provision of payment services is seen as a matter for co-operation between financial institutions, providing a uniform product, or to which there is a high degree of competition, with diverse product and systems. (As examples, see French and United States entries.)

1. Institutional aspects

Overall, the purpose of this section is to provide background institutional detail for readers who are not familiar with your country's banking system and financial institutions.

1.1 General legal aspects

This sub-section should indicate the extent to which payment instruments and the provision of payment services is specified by law. However, as the Red Book is not a legal textbook, there is no need to provide great detail. (As examples, see German and United Kingdom entries.)

1.2 The role of financial intermediaries

The purpose of this sub-section is to describe the different types of institutions that provide payment services (including some information on what the important differences between the different types are). (As examples, see Japanese and Netherlands entries.)

1.3 The role of the central bank

This sub-section should primarily be concerned about the role of the central bank as far as payment methods and systems are concerned (including the provision of notes and coins, provision of banking/settlement services, control and operation of systems, oversight of

systems etc). To the extent that it is not already covered in 1.1, an indication of whether the central bank's role in these areas is, for example, set out by law or is a matter of central bank choice, would be helpful. A brief indication of whether the central bank is responsible for supervising financial institutions that provide payment services should also be provided. (As examples, see Belgian and Canadian entries.)

1.4 The role of other private and public sector bodies

This sub-section can be used to describe any other bodies (such as banking associations or government agencies) that are involved in payment systems. (As examples, see Italian and Swedish entries).

2. Summary information on payment media used by non-banks

2.1 Cash payments

This sub-section can be used to provide information about such matters as the different denominations of notes and coins, the total value of cash outstanding, and the use of ATMs etc to obtain cash. Any information on the relative importance of cash as a payment method (relative to non-cash methods) would also be interesting. (As examples, see the French and Swiss entries.)

2.2 Non-cash payments

Include here separate sub-sections for each of the significant payment instruments used in your country (e.g. giro credit transfers, cheques, debit cards, credit cards etc). (As examples, see the German and UK entries.)

2.3 Recent developments

Not all countries include this section, since developments concerning specific instruments that are already in use can be included in Section 2.2 above. Section 2.3 may be useful if there are significant developments concerning payment instruments in general or concerning groups of instruments (e.g. prospective new arrangements such as electronic money, trends towards charging for payment services, debates about which types of institutions should be allowed to provide which instruments, or new payment instruments that are being actively discussed but have not yet been introduced.) (As examples, see Belgian and Swedish entries.)

3. Interbank exchange and settlement circuits

The objective of this section is to explain how the key interbank circuits operate.

3.1 General overview

This section can be used to act as (i) an introduction to those systems that are described in more detail in sub-section 3.2, (ii) to describe certain features that are common to those systems, (iii) to show how the systems relate to each other and/or (iv) to summarise those systems that are not described in Section 3.2. (As examples, see French, Italian and United States entries.)

3.2 Structure, operation and administration of major large-value systems

Under this heading there should be separate sub-sections for each major system. For each system, typical sub-headings (which give an idea of the topics that should be covered) include: (a) the participants in the system, (b) the types of transactions handled, (c) a description of how the system operates (d) the transactions-processing environment (e) settlement procedures (f) pricing policies (g) management of risks. Given the current interest in payment system reform, it is particularly useful to know what facilities (if any) are available in the system to manage liquidity and control risks.

However, the way in which each system is described varies from country to country, depending on what is needed; indeed, in order to prevent the description from becoming too disjointed, some countries prefer not to use sub-headings at all and provide the description in continuous text. The objective is to be clear and comprehensive. (As examples, see Swiss and United States entries.)

In countries where there are no specialised large-value interbank transfer systems, a description of the most important interbank system could be provided (e.g. clearing house mechanism, interbank EFT system ...).

3.3 Main projects and policies being implemented.

This is another optional section - it may not be needed if there are no specific developments or if they can be more easily described in the description of individual systems in section 3.2. Where this section is used, it is often to describe plans for the introduction of a new system. (As examples, see the French and Netherlands entries.)

4. Special use of interbank transfer systems for international and domestic financial transactions

4.1 Exchange and settlement systems for international transactions

The purpose of this section is to describe how cross-border payments involving the domestic currency are executed. Particular attention should be paid to the settlement of the domestic currency leg of foreign exchange transactions. In some cases the description can be very short - perhaps little more than a cross-reference to the relevant interbank funds transfer system described in Section 3.2. (If there are local clearings for payments in foreign currency, these could also be described in this section.) (As examples, see the Canadian and United Kingdom entries.)

4.2 Exchange and settlement systems for securities transactions

In this section the main securities settlement systems should be summarised, paying particular attention to how the payments relating to securities transfers are made and what form of DVP (if any) is available. (As examples, see the Japanese and Swiss entries.)

5. The role of the central bank in interbank settlement systems

There is likely to be considerable overlap between this section and earlier sections (particularly Sections 1.1, 1.3, and 3.2) but duplication can be minimised by using cross-references.

5.1 General responsibilities

The points here may all have been covered in earlier sections but in some cases it may be useful to bring them together, and perhaps expand on them.

5.2 Provision of settlement (and credit) facilities

This section will probably be more detailed than Section 1.1 and can draw together some of the points made in Section 3.2. You may want to provide more detail about the accounts commercial banks hold at the central bank and (where applicable) the central bank's policy towards providing payment system liquidity. (As examples, see the Netherlands and United States entries.)

5.3 Monetary policy and payment systems

Here a brief description of the way in which monetary policy is implemented can be given (including details of any reserve requirements applied). Any relevant features of the relationship between monetary policy and payment systems can also be highlighted. (As examples, see the Belgium and Italian entries.)

5.4 Main policies and projects being implemented

In many cases it may only be necessary to refer to the relevant parts of Section 3.

Annexes

If it would be useful, more detailed descriptions on specific aspects (legal issues, operational aspects ...) could be provided in (a) separate annex(es). It should be kept in mind that a Red Book cannot possibly cover all aspects in full detail.

Selected references

It is useful to include a list of any publications, articles or speeches that provide more information.

Statistical tables

The tables are standard, with only very minor variations between countries where this is unavoidable. It is useful to include a methodology/sources section at the end of the tables to explain how the data have been compiled. The Secretariat will use the country data to expand the cross-country comparative tables.

List of terms and abbreviations

It is helpful if the central bank can provide a list of any *country-specific* institutions or terms that need defining. The Secretariat will also include at the back of the Red Book the list of *standard* of terms and abbreviations used by all Red Books. (These standard definitions should be used when drafting the text of the Red Book.)

SECRETARIAT

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