

Supervisory Guidance on Settlement Risk in Foreign Exchange Transactions

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increased significantly in recent years, not least because of the work of the Committee on Payment and Settlement Systems (CPSS) of the Bank for International Settlements, in particular their reports *Settlement Risk in Foreign Exchange Transactions* (March 1996) and *Reducing Foreign Exchange Settlement Risk: A Progress Report* (July 1998).⁴ All banks should therefore be expected to have a good understanding of FX settlement risk and to have formulated clear and firm plans for how to manage it. Even if these plans have not yet been fully implemented, the process of doing so should be well underway.

4. This guidance was drawn up in close consultation with the CPSS. It has also benefited from comments received on the consultative draft issued in July 1999.

⁴ These documents as well as other useful material related to foreign exchange settlement risk and other types of settlement risk are listed in the annotated bibliography provided in Appendix 3.