

BBA Response to FSB Discussion Note: Essential Aspects of CCP Resolution Planning

17 October 2016

The British Bankers' Association (BBA) welcomes the opportunity to engage with the Financial Stability Board on their "Discussion Note: Essential Aspects of CCP Resolution Planning". Since the introduction of mandatory central clearing for certain OTC derivatives, the BBA has engaged with authorities to ensure a robust recovery and resolution framework is in place in order to avoid overly damaging consequences of CCP failure. We support the efforts the FSB have made to reach out to industry on their proposals for CCP resolution planning and look forward to continuing to engage constructively on these matters.

The BBA is the leading association for the United Kingdom banking and financial services sector, representing over 200 banks, which are headquartered in 50 countries and have operations in 180 countries worldwide. Our members manage more than £10 trillion in banking assets, employ nearly half a million individuals, contribute some £100 billion to the economy each year and lend some £200 billion to businesses.

Executive Summary

Clearing member obligations in the event of non-default losses

The BBA does not believe that a case has been made for the involvement of clearing member funds in any non-default scenario. In the case of a default scenario the existing tiered-loss mechanism of the default waterfall is available for the CCP's default management. Where a CCP becomes insolvent, as a result of management failures and/or poor investment decisions, regardless of prevailing market conditions, we strongly oppose any attempt to use the default waterfall in the management of this scenario.

We have expanded in greater detail below on our proposals, but broadly speaking we believe that, in cases where a CCP can no longer continue business as usual (BAU) activities – including recovery – CCP equity should be used to cover all non-default losses, followed by contributions from the CCP's parent. The resolution authority should then act to seek a voluntary solution, should all equity be exhausted and resolution not achieved, as set out in CCP rulebooks.

Initial margin haircutting

We are strongly opposed in particular to any haircutting of IM as a tool for the allocation of losses when in resolution. Where IM is subject to a haircut, this has the potential to lead to an increase in systemic risk. A client of a clearing member who loses IM as a result of haircutting could be pushed into default as a result, with possible knock-on effects from that being very significant. In addition, any client who has lost out in this way is unlikely to feel incentivised to play any part in CCP recapitalisation further down the line.

No Creditor Worse Off counterfactuals

The BBA supports the principle of "No Creditor Worse Off" (NCWO) in all resolution scenarios. As we have elaborated further in our responses to questions 15 and 16, we make a distinction between default resolution scenarios and non-default resolution scenarios. In the case of the former, the appropriate counterfactual would be the relevant CCP's rulebook

before the allocation of any losses. In the case of the latter, the counterfactual is the ultimate liquidation of the CCP under the relevant insolvency laws.

Transparency and ex ante knowledge of exposure

We believe it is critically important for clearing members to be made aware of their exposure to the CCP at any time. This enables clearing members to assess their exposure and plan accordingly, to ensure they do not end up in a situation where they do not have enough resources to meet their exposure, having not been aware of any changes. The reporting of this exposure by CCPs to clearing members is one such way this could be achieved.

Response to Questions

Question 1: Does this discussion note identify the relevant aspects of CCP resolution that are core to the design of effective resolution strategies? What other aspects, if any, should authorities address?

The BBA believes this discussion note has successfully identified the relevant aspects of CCP resolution that are core to the design of effective resolution strategies, in particular participant default and default events.

In terms of any other aspects which authorities should address, we note that the note has not included the scenario where an affiliate of the CCP potentially brings down the group and an otherwise healthy CCP is brought down as a result. We suggest that in this scenario, a CCP be subject to a carved-out resolution requirement to ensure that a stable and viable CCP is not brought down due to an affiliate bringing down the wider group company structure.

For losses that the CCP could not pay for in their course of BAU business or recovery, we propose the following order of loss allocation in resolution:

- As a first step, all CCP equity should be used to cover non-default losses, as also happens in a default loss.
- The CCP's parent should then contribute (e.g. by posting a guarantee in an amount that is at least equal to the sum of all profits up-streamed for the prior three years).
- The resolution authority should seek a voluntary solution (which we believe may be viable as the clearing business of a CCP suffering extreme non-default loss is likely to be uninterrupted in such a situation and the CCP should still have considerable value. If so, then a clearing participant – or other third party – might want to take the remaining losses and recapitalise the CCP).
- Failing a voluntary solution, remaining losses should be allocated as part of resolution to all clearing participants (brokers, clients and other creditors) in line with the losses each participant would have suffered in insolvency or bankruptcy (maintaining the NCWO principle, with insolvency as counterfactual). Parties who suffer losses should be compensated with equity in the new CCP.
- Clearing participants should only be required to recapitalise the CCP when no voluntary solution can be arranged.

During a crisis situation, it is important that a CCP is transparent in their proposed actions. At current, we do not believe that this note puts forward sufficient transparency requirements for how a CCP might act in both a default and non-default loss scenario. We believe that this aspect should be addressed by authorities in order to give greater reassurance to clearing members as to the likely role of a CCP in a non-default scenario and, by extension, any obligations they themselves may end up having.

The BBA believes additional clarity on point 1.2 (iii) would be beneficial. If a CCP is being resolved, it is important that market participants have clarity on why replenishment is also necessary, rather than alternative solutions. The rules for CCP resolution should specify what the intent of resolution is at a granular level, or in other words whether resources dedicated to particular services or activities are being replenished so that certain critical services can continue while others are being resolved.

In this respect, and with regards to point 1.2 (iv), it is important that resolution plans specify what a CCP's critical services are. In considering the identification of these critical services, the impact of partial resolution on cross-margining or netting, and the potential for

disruptions to existing margin requirements or netting sets to cause further financial instability, must be considered.

Question 2: What is the impact on incentives of the different aspects of resolution outlined in this note for CCP stakeholders to support recovery and resolution processes and participate in central clearing in general? Are there other potential effects that have not been considered?

We are not clear on how the incentive structure outlined in this note will work in practice. In general, a CCP is incentivised to make continual attempts at recovery. At the point of resolution, equity will be lost. It is therefore difficult to say exactly what the impact on incentives on different aspects of resolution will be, as we do not necessarily accept that a CCP can be “incentivised” to initiate resolution. We do not believe that incentivising a CCP to initiate resolution prematurely would be a positive policy outcome.

However, we feel it is important that a CCP is incentivised to have robust risk management and default management processes in place. This requires the CCP to be robust in the first place, and to have an adequate share of skin-in-the-game to incentivise positive management behaviour.

To this end, we recommend that the following principles be considered by the FSB:

- Any amendments to the terms of participation in a CCP must be made in concert with members and accurately and transparently evident in the rulebook to allow members to appropriately assess their risk and level of exposure.
- CCP shareholders should be required to fully apply their available resources to restoring and supporting the solvency of the CCP once the default waterfall structure has been exhausted. Such a “bail-in” of the CCP’s shareholders provides the right governance and risk management incentives.
- In the specific context of planning for non-default losses, it is important to ensure that a CCP contributes sufficient dedicated resources. If the CCP is permitted to set aside only a relatively small amount of capital and can expect to allocate losses to its clearing members in the event of a non-default loss, then this creates a moral hazard as it disincentivises the CCP from giving due attention to its risk management processes during BAU.

Question 3: What are the appropriate factors for determining timing of entry into resolution? How might a presumptive timing of entry (or range of timing), if any, be defined in light of the criteria set out in the FMI Annex to the *Key Attributes*? If defined, should the presumptive timing of entry be communicated to the CCP and its participants?

The BBA believes it is difficult to precisely define the circumstances that would determine the timing of entry into resolution. The timing of entry into resolution would largely be dependent upon the precise circumstances of each case, with the accompanying market reactions greatly influencing when this would be imperative.

The concept of a precisely defined time of entry into resolution is similar to the classification of “Too Big To Fail” for banks, in that it cannot be simply defined. An additional complication would be if trading was taking place on a cross-border basis, and whether there was a different incentive for one set of authorities to resolve a CCP (or not as the case may be) than others. It is difficult to define how timing would work in that scenario.

Nevertheless, we agree that some degree of definition would be preferable, particularly in cases where multiple resolution authorities were involved. A resolution strategy where the

resolution authority only steps in when funded and unfunded resources are depleted will not be credible without additional resources. The resolution authority should therefore step in where there are still enough resources in the waterfall to perform resolution without having to resort to additional resolution resources like IM haircutting. A potential point of entry would be either depletion of funded resources, or after one assessment, with the next assessment and VMGH then available to the resolution authority, though the use of the latter should be very limited.

Such guidance might also consider the fact that all bank exposure to a CCP must be captured and reported. Banks do not have unlimited resources to cover any eventuality involving a CCP, and it would be difficult for most banks to contribute further cash after three or four layers of default fund contributions to CCPs. We do not believe it is sustainable for clearing members to be expected to fund resolution on an ad infinitum basis. Such a solution would also limit the liability of clearing members.

Question 4: Should CCPs be required to hold any additional pre-funded resources for resolution, or otherwise adopt measures to ensure that there are sufficient resources committed or reserved for resolution? If yes, what form should they take and how should they be funded?

We do not see a case for clearing members to contribute pre-funded resources for resolutions. We believe that a CCP should have access to central bank support, or at least the option to re-open any initial margin with the central bank in order to convert this into cash if required. We do not believe the case has been made for clearing members to contribute any additional pre-funded resources for the purposes of resolution. We refer the FSB to our response to question 3.

It is also, however, important to consider whether CCPs maintain sufficient resources for use in a non-default scenario, as it is not appropriate for them to depend on the waterfall resources of clearing members in such an event, and additional CCP-provided backstops may be necessary. Liquidity facilities are also potentially powerful backstops in a resolution scenario; we therefore recommend that CCPs should have access to committed liquidity facilities based on negotiated commercial terms, and recommend appropriate sized capital requirements for a CCP in the event of a non-default loss.

Question 5: How should the appropriate quantum of any additional CCP resources be determined? In sizing the appropriate quantum, what factors and considerations should be taken into account? Do your answers vary for default and non-default losses?

The BBA refers the FSB to our response to question 1 and question 4; in the event that a CCP has entered a recovery and resolution regime, by this point banks have already contributed a large amount. We do not, therefore, see that any case has been made for additional resources from clearing members, regardless of whether losses are default or non-default. We would strongly oppose any haircut of IM regardless of the scenario. Any tools that do not allow the eventual exposure to the CCP to be quantified upfront should only be available in resolution. In recovery, clearing members should always be able to assess their exposures and, concordantly, their maximum exposures to the CCP.

Question 6: Should resolution funds external to the CCP be relied upon? If so, how should such funding arrangements be structured so as to minimise the risk of moral hazard, including for CCPs with significant cross-border participation? Where these are pre-funded, how should the target size be determined and which entities should be required to contribute?

The BBA does not believe that resolution funds external to the CCP should be relied upon. CCPs should have clear funding in place and that funding should be subjected to regular stress testing, as per the existing Principles for Financial Market Infrastructures. Stress test scenarios are used to determine if existing financial resources are sufficient and to the extent that stress testing determines the existing quantum of resources is sufficient, it is not necessary for additional pre-funded resources for use in default scenarios.

We refer the FSB to our response to question 4; it may be necessary to determine whether additional dedicated CCP resources are necessary for use in resolution proceedings as a result of non-default losses. Furthermore, stress tests that model such a scenario should consider the impacts to wider market stability of any proposals to include clearing member resources in the management of a non-default resolution scenario, including any additional assessment rights or pre-funded resources.

Question 7: What factors should the resolution authority consider in choosing and exercising tools to return the CCP to a matched book? Is one (or more) of the tools for restoring a matched book preferable over others and if so, why?

The BBA answers this question on the assumption that “returning the CCP to a matched book” is, in effect, returning the CCP to safety. We believe that, this being the case, this should already have been accomplished through the waterfall. The CCP continues to operate, with clearing members having a 30 day calling period to consider whether to select or terminate clearing agreements or not. This is, therefore, already built into the risk waterfall.

We do not see what extra factors are necessary for consideration. A CCP default fund should cover up to two clearing member defaults, and the layers of the waterfall – IM/VM of the defaulting clearing member, default funds contributions of the default clearing member, CCP capital/skin-in-the-game, and default fund contributions of surviving clearing members, before considering VMGH and partial tear-ups – subsequently take place. It is not clear whether having an additional replenishment of the risk waterfall or of default funds is ultimately the same intention as the CCP intention to be restored to normal operations.

We note that under existing EU rules, clearing members cannot have unlimited exposures to a CCP. Proposals or approaches that contemplate unlimited tear-ups and assessment rights contradict this legal requirement – in addition to creating material netting and capital challenges for members – and so it is important to ensure that there are clear boundaries and processes around tear-ups. Where a CCP’s waterfall has been exhausted, and auctions and voluntary tear-ups have failed to restore a matched book, we agree that the use of partial tear-ups can be an effective tool, but only where a failure to rebalance the CCP’s book – i.e., for a critical service – is likely to lead to broader financial instability rather than simply the failure of the CCP.

In general, we believe that mandatory auctions for clearing members are an appropriate and effective method to restore a matched book. Forced allocations may result in clearing members taking on risk that they do not have capacity for and/or cannot properly warehouse or offload. In a stressed market environment, this can quickly become another source of financial contagion. The authority’s priority should be restore a matched book at the minimum possible cost, respecting IM bankruptcy remoteness and the principle of NCWO.

Question 8: Should any tools for restoring a matched book only be exercisable by resolution authorities? If so, which tools and subject to what conditions?

The BBA does not have any strong view on whether tools for restoring a matched book should be only exercisable by resolution authorities. Broadly speaking, we believe that any

tools that do not allow clearing members to fully assess their exposures to the CCP on an ex ante should be reserved for the resolution phase. We also believe that PTU should be allowed in a moderate fashion in recovery (provided only a small part of the portfolio does not attract prices), and for resolution if required for larger parts of the defaulter's portfolio.

Question 9: What are in your view effective tools for allocating default and non-default losses and what are the pros and cons of these tools? Should initial margin haircutting be considered as a tool for the allocation of losses in resolution? Is one or more of the tools preferable over others? What are your views on the use of tools to restore a matched book as a means of loss allocation?

We believe that, generally, the tools used for allocating default losses are already clear and in place; default fund contributions, IM and VM posted by the defaulting member/s to CCPs. Whether these are effective in terms of dealing with default loss is difficult to say as this situation varies from CCP to CCP. It is less clear what the effective tools for allocating non-default losses are. Whilst we are clear that separating default and non-default losses is a sensible proposal, it is difficult to say with any certainty what an effective toolkit for allocating non-default loss would be.

It cannot be said that clarity currently exists for CCPs; as a general standard, tools for allocating both default and non-default losses should be clear. We recommend therefore that the FSB mandate clarity in order to achieve this. It is important that the CCP rulebook be clear on what tools are applicable in a non-default loss scenario and that if there is such a scenario the CCP should bear those losses. Any assets posted to the CCP for clearing purposes (such as IM or VM) should be prioritised before the claims of other creditors of the CCP.

The BBA does not believe that IM haircutting should be considered as a tool for the allocation of losses in resolution. If there was to be a haircut on IM, it is highly likely that the end-user (i.e. the clearing members' customers) would end up bearing the consequences of this. In addition, there is significant liquidity risk generated by IM haircutting as participants seek to withdraw non-bankruptcy remote cash collateral. We therefore strongly recommend that IM haircutting be ruled out as a tool for the allocation of losses in resolution.

Question 10: Which, if any, loss allocation tools should be reserved for use by the resolution authority (rather than for application by a CCP in recovery)?

We refer the FSB to our response to question 8; the BBA does not have a strong position on whether or not allocation tools are reserved for use by the resolution authority rather than for application by a CCP in recovery.

Question 11: How much flexibility regarding the allocation of losses is needed to enable resolution authorities to minimise risks to financial stability? For example, to what extent should a resolution authority be permitted to deviate from the principle of pari passu treatment of creditors within the same class, notably different clearing members in resolution? What would be the implications of a resolution strategy based primarily or solely on a fixed order of loss allocation in resolution set out in CCP rules vs a resolution strategy that confers discretion to the resolution authority to allocate losses in resolution differently to CCP rules?

The BBA believes that in the event of default losses, the rules of the CCP should be followed. This allows for all clearing members to determine their individual exposure limits against the CCP. If there is any deviation from this in the event of a resolution caused by member default, this risks causing issues for clearing members as they will no longer be able to model their exposure risk to the CCP. In such a situation, there must be clarity for all

CCPs which interoperate, on how they treat each other and their members in the event of a participant default scenario, and we recommend that the FSB mandate for such clarity to be required.

In the event of a non-default scenario, even greater clarity is required, as this situation may well depend on exactly what has caused the CCP to go into resolution, as regards the treatment of creditors in their set-up. For example, it would need to be made clear whether or not insurance covers all types of scenarios, and whether therefore the exposure of creditors is limited. We believe that losses should accrue to the CCP and its parent company according to insolvency rules, and that claims based on assets posted to the CCP for clearing purposes should be senior to other creditors.

The BBA strongly recommends that CCP rules be followed, including by the resolution authorities, in all cases of default, rather than allowing for arbitrary deviation. The situation of CCPs is different to the general banking structure; the risk waterfall for any product should be segregated from the clearing house on property or assets. If there is then a default on one or all of the two platforms, the CCP should treat the risk waterfall separately. Members of each risk waterfall should be treated equally because no member should be given greater privilege than other members. The BBA strongly recommends that regulators should treat similarly situated creditors the same and apply the tools equally.

Question 12: What are your views on the potential benefits or drawbacks of requiring CCPs to set out in their rules for both default and non-default losses:

- (i) **The preferred approach of the resolution authority to allocating losses;**
- (ii) **An option for, or ways in which, the resolution authorities might vary the timing or order of application of the loss allocation tools set out in the rules?**

We repeat our recommendation that CCPs should set out in their rulebooks the manner in which tools for both the default and non-default tools be used in recovery and resolution. Even in resolution the resolution authority should follow the rulebook to safeguard NCWO for default losses. As clearing participants should not be allocated losses for NDLM in recovery, tools will likely not be in the rulebook. Loss allocation in recovery should be done strictly with the NCWO counterfactual of insolvency.

Clearing member exposure to CCPs should be easily accessible for clearing members at all times, on an ex ante basis, and we recommend the FSB mandate resolution authorities to clarify exactly how this will be achieved in the wake of resolution, under all potential scenarios. In all circumstances, transparency and communication from the resolution authority about the strategy and tools used is paramount. Accordingly, CCPs should disclose on an ex ante basis the different scenarios and tools they contemplate in their rulebooks for the default management process.

As we have previously said, the procedures within each CCP rulebook should be followed with no deviation. Once a CCP has entered resolution, the resolution authority will be required to make a judgement on what are the best options to take that will maintain financial stability, while holding to the contracts signed between the CCP and the clearing members.

Question 13: How should non-default losses be allocated in resolution, and should allocation of non-default losses be written into the rules of the CCP?

The BBA believes that non-default losses should be allocated strictly along insolvency lines, after CCP equity and parent contributions.

Question 14: Aside from loss allocation, are there other aspects in which resolution in non-default scenarios should differ from member default scenarios?

The BBA recommends that default fund contributions, IM and VM should not be utilised in non-default scenarios; CCPs should be able to demonstrate other resources to cover for these. We refer the FSB to our response to question 13.

Question 15: What is the appropriate NCWO counterfactual for a resolution scenario involving default losses? Is it the allocation of losses according to the CCP's rules and tear-up of all the contracts in the affected clearing service(s) or liquidation in insolvency at the time of entry into resolution, or another counterfactual? What assumptions, for example, as to timing and pricing or the re-establishment of the CCP's matched book, will need to be made to determine the losses under the counterfactual?

The appropriate NCWO counterfactual for a resolution scenario involving default losses is the CCP rulebook before allocation of any additional losses (i.e., losses beyond pre-funded resources).

We note that if clearing members do not receive compensation for events such as VMGH and PTUs, then the use of the word "compensation" in this context becomes effectively meaningless. Clearing members, or creditors, of the CCP should be left no worse off following the default. This is best safeguarded if the resolution authority only uses tools within the rulebook.

Question 16: What is the appropriate NCWO counterfactual for a resolution scenario involving non-default losses? Is it the liquidation of the CCP under the applicable insolvency regime, assuming the prior application of any relevant loss allocation arrangements for non-default losses that exist under the CCP's rules or another counterfactual?

The appropriate NCWO counterfactual for a resolution scenario involving non-default losses is the liquidation of the CCP under the applicable insolvency regime, assuming the prior application of any relevant loss allocation arrangements for non-default losses that exist under the CCP's rules.

Question 17: How should the counterfactual be determined in cases that involve both default losses and non-default losses?

For scenarios involving non-default losses and scenarios involving default and non-default losses, the appropriate counterfactual is the insolvency and liquidation of the CCP in resolution.

The NCWO principle is important, but we would recommend further clarity on where a CCP is entering into resolution because of both default and non-default losses. It is important that CCPs and resolution authorities provide greater clarity about the bail-in regime for any resolution scenario involving non-default losses, including a clear ordering of how creditors of various kinds are treated, and in what order. Such a counterfactual should consider not only clearing participants but also institutions that provide liquidity facilities to CCPs.

Question 18: Should CCP owners' equity be written down fully beyond the committed layer of capital irrespective of whether caused by default or non-default events?

The BBA recommends a distinction between default and non-default events. The rationale behind using a CCP is to insure against default events, and clearing members put in

resources to cover for these events. Accordingly, in recovery, CCP owners' equity should not be written down in full for these types of events, unless it is otherwise stipulated in the rulebook that this is the case. In resolution, CCP equity should be written down fully.

However, for non-default events, the CCP owners should be held to account as regards these scenarios. If a CCP has failed, the CCP's equity is wiped entirely, as would happen with a bank in a similar situation. We do not see the justification for why a CCP owner should be able to reclaim their equity in resolution as a result of a non-default event. Creditor claims would subsequently be made into the new entity for the new CCP, but in order for this to occur the old equity would need to be wiped out. CCP owners should bear the first losses as they are responsible for the risk management and the default management processes of the CCP.

Question 19: Should new equity or other instruments of ownership be awarded to those clearing participants and other creditors who absorb losses in resolution?

The BBA believes that participants should be provided debt claims that are repaid through future earnings. If resolution occurs, the debt may be bailed into equity as part of recapitalisation.

Question 20: What are your views on the suggested standing composition of CMGs? Should resolution authorities consider inviting additional authorities to the CMG on an ad-hoc basis where this may be appropriate?

The composition of CMGs should encompass prudential and market regulators from the primary regions impacted by the CCP and its corresponding primary clearing participants. In composing a CMG it is important that authorities are mindful of the need for clear and timely decision-making and communication to the market in a resolution scenario.

Question 21: What should be the nature of engagement with authorities in jurisdictions where the CCP is considered systemically important, for the purpose of resolution planning and during resolution implementation?

Engagement between CCPs and their corresponding CMGs should be established during the development of resolution plans. This engagement should be regular and should periodically review the validity and viability of the proposed plans.

Question 22: Should CCP resolution authorities be required to disclose basic information about their resolution strategies to enhance transparency and cross-border enforceability? If so, what types of information could be meaningfully disclosed without restricting the resolution authority's room for manoeuvre?

We strongly agree with the proposal that CCPs' resolution authorities should disclose information about their resolution strategies, including the tools they intend to deploy and the sequence of steps they intend to take. This is particularly the case if/where the resolution authority contemplates that it may exercise resolution tools in a manner which is inconsistent with or not contemplated within the CCP's existing rulebook, so that members have an understanding of the contingencies to which they may be exposed.

Transparency on agreements between CCPs and their CMGs – including resolution processes – is important so that clearing participants can understand the nature of the risks to which they are exposed, even if they cannot identify the precise quantum. This information may include, and should not be limited to: the timing of resolution, the tools used during resolution, participants' likely obligations (financial and otherwise) during resolution, the resolution authority's approach to considering and assessing the viability of alternative

venues in the event of resolution, and the steps to temporarily suspend mandatory clearing, if applicable.

Question 23: Does this section of the note identify the relevant CCP-specific aspects of cross-border effectiveness of resolution actions? Which other aspects, if any, should also be considered?

We broadly feel that this section of the note has identified the relevant CCP-specific aspects of cross-border effectiveness of resolution actions.

Question 24: What should be the role, if any, of the suspension of clearing mandates in a CCP resolution and how should this be executed in a cross-border context?

It is important for all the relevant regulators to ensure that they have the power (under their respective legislative or regulatory frameworks) to quickly effect a temporary suspension of a clearing mandate in a resolution scenario. This power is especially important in jurisdictions where there are few or no alternative CCPs available. This suspension power should not only be exercised in situations where no back-up CCPs are available to clear the product(s) subject to mandatory clearing, but also where the cleared product itself is implicated in broader market stresses, i.e., it is not sufficiently liquid to continue clearing as the CCP is undergoing resolution.

Additionally, the potential loss or change in QCCP status – and subsequent membership and capital impacts and authorisation/recognition status of CCPs – should be planned for, even taking into account the transitional periods provided for by the international standards. If not addressed, clearing members may be disincentivised to maintain memberships post-resolution. In resolution, authorities might additionally consider temporarily suspending the clearing mandate for the instruments in question and temporarily dis-applying capital requirements for those clearing members who are contributing to the stabilisation of the CCP by bidding for open position and accepting additional losses. These members will have increased their exposures significantly, or may have difficulty correctly measuring them in the short term.