

Press release

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FSB publishes discussion note on Essential Aspects of CCP Resolution Planning and progress report on CCP workplan

The Financial Stability Board (FSB) is publishing today its discussion note on [Essential Aspects of CCP Resolution Planning](#), which seeks comment on aspects of central counterparty (CCP) resolution that are considered core to the design of effective resolution strategies. The FSB is also publishing today, jointly with the Basel Committee, Committee on Payments and infrastructures (CPMI) and International Organization of Securities Commissions (IOSCO), a [progress report on the workplan](#) to enhance the resilience, recovery planning and resolvability of CCPs.

With CCPs being an increasingly important part of the financial system through their ability to mitigate and manage counterparty credit risk, particularly following post-crisis reforms to mandate central clearing of certain standardised over-the-counter derivatives, it is vital that CCPs do not themselves become a new source of too-big-to-fail risk.

The [FSB Key Attributes of Effective Resolution Regimes for Financial Institutions](#) (*Key Attributes*) and implementation guidance on financial market infrastructure (FMI) resolution in Appendix II-Annex 1 to the *Key Attributes* set out a framework for FMI resolution. This framework states the objectives of FMI resolution and a range of powers and tools that should be made available to resolution authorities to resolve a failing FMI.

However, while the *Key Attributes* and existing guidance describe a number of tools that should be available to authorities, they do not discuss how those tools could be used or combined to develop strategies for the effective resolution of CCPs. In some areas, further guidance may be required to assist jurisdictions with implementing effective resolution regimes and to assist resolution authorities with developing credible resolution strategies and plans.

The discussion note covers a number of aspects of CCP resolution planning, including timing of entry into resolution; adequacy of financial resources; tools for returning to a matched book and allocating default and non-default losses; application of the No Creditor Worse Off safeguard and treatment of the CCP's equity in resolution; and cross-border cooperation and effectiveness of resolution actions. The note also sets out related questions on which the FSB seeks comment.

Responses to the discussion note, which should be sent to fsb@fsb.org by 17 October, will assist the FSB in developing standards or guidance for CCP resolution planning, resolution

strategies and resolution tools. The FSB will consult on proposals for such standards or guidance by early 2017.

In developing this guidance, the resolution work will continue to be coordinated closely with other elements of the CCP workplan. This includes resilience and recovery, on which the CPMI and the IOSCO have today published a consultative report on [Resilience and recovery of central counterparties: Further guidance on the PFMI](#) plus a report on [Implementation monitoring of PFMI - Level 3 assessment - Report on the financial risk management and recovery practices of 10 derivatives CCPs](#). Additionally, a data collection exercise on the interdependencies in central clearing was launched last week, as part of a study on interdependencies that began last year.

Elke König, Chair of the FSB Resolution Steering Group and Chair of the European Single Resolution Board, said: “CCPs form a central part of the post-crisis reforms of OTC derivatives markets to help reduce risk in the financial system. But we must also ensure that CCPs are themselves robust and this includes appropriate resolution regimes. There has already been much industry comment on CCP resolution, and we welcome further public comment in response to this discussion note to support the work of the FSB as part of the overall CCP workplan.”

Notes to Editors

The FSB, together with the Basel Committee on Banking Supervision (BCBS), CPMI, and IOSCO, agreed in April 2015 on a [joint workplan](#) to coordinate their actions to enhance resilience, recovery and resolvability of CCPs. As part of this workplan, the FSB agreed to “consider the need for, and develop as appropriate, standards or guidance for CCP resolution planning, resolution strategies and resolution tools, including cross-border coordination and recognition of resolution actions, which should build on the *Key Attributes*. Such standards or guidance would aim to ensure that any CCP can be successfully resolved without resort to a government “bail-out”, and without resulting in contagion to other parts of the financial system.” The FSB Chair, in his [February 2016 letter to the G20 Finance Ministers and Central Bank Governors](#), stated that the FSB would publish high-level guidance on resolution issues relating to CCPs by the time of the G20 Hangzhou Summit in September 2016.

More broadly, the key elements of the joint CCP workplan include:

- i. CPMI and IOSCO evaluating existing measures for CCP resilience, including loss absorption capacity, liquidity and stress testing;
- ii. conducting a stocktake of existing CCP recovery mechanisms, including loss allocation tools, and considering whether there is a need for more granular standards;
- iii. reviewing existing CCP resolution regimes and resolution planning arrangements, and considering whether there is a need for more granular standards or for additional prefunded capital and liquidity resources in resolution; and
- iv. analysing the interconnections between CCPs and the banks that are their clearing members, and potential channels for transmission of risk.

The *Key Attributes of Effective Resolution Regimes for Financial Institutions* are the international standard for resolution regimes for financial institutions. They are a key component of the FSB’s policy framework to address the moral hazard and systemic risks

associated with institutions that are “too-big-to-fail”. They were released by the FSB in November 2011 following their endorsement by G20 Leaders at the Cannes Summit. When the FSB adopted the *Key Attributes* in 2011 it agreed to develop further guidance on the implementation of the *Key Attributes*, taking into account the need for implementation to accommodate sector-specific considerations. On 15 October 2014, the FSB adopted additional guidance on the *Key Attributes*, including guidance on how the *Key Attributes* should be applied to FMIs.

The FSB has been established to coordinate at the international level the work of national financial authorities and international standard setting bodies and to develop and promote the implementation of effective regulatory, supervisory and other financial sector policies in the interest of financial stability. It brings together national authorities responsible for financial stability in 24 countries and jurisdictions, international financial institutions, sector-specific international groupings of regulators and supervisors, and committees of central bank experts. The FSB also conducts outreach with 65 other jurisdictions through its six regional consultative groups.

The FSB is chaired by Mark Carney, Governor of the Bank of England. Its Secretariat is located in Basel, Switzerland, and hosted by the Bank for International Settlements.

For further information on the FSB, visit the FSB website, www.fsb.org.