

Press release

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Financial Stability Board publishes fourth progress report on implementation of OTC derivatives market reforms

The Financial Stability Board (FSB) published today its fourth six-monthly [*progress report on the implementation of over-the-counter \(OTC\) derivatives market reforms*](#). The report takes stock of the readiness of market infrastructure across the FSB's member countries to provide clearing services, collect and disseminate trade data and provide organised trading platforms for OTC derivatives. The report also reviews the progress made by standard-setting bodies and national and regional authorities towards meeting the commitments made by G20 Leaders at the Pittsburgh 2009 Summit that, by end-2012, all standardised OTC derivative contracts be traded on exchanges or electronic trading platforms, where appropriate, and cleared through central counterparties (CCPs); OTC derivative contracts be reported to trade repositories; and non-centrally cleared contracts be subject to higher capital requirements.

The key messages of the report are as follows:

- Market infrastructure is in place and can be scaled up. The development of market infrastructure does not appear to be an impediment to further progress in meeting the G20 commitments for OTC derivatives trading, central clearing, and reporting (although regulators should take into account the start-up time for infrastructure to expand their activities and receive regulatory approvals).
- The international policy work on the four safeguards for global clearing is substantially completed and implementation is proceeding at a national level. Sufficient progress on the safeguards has therefore been made to enable all jurisdictions without delay to decide, and put in place, their regulatory approach to central clearing.
- Regulatory uncertainty remains the most significant impediment to further progress and to comprehensive use of market infrastructure. Jurisdictions should put in place their legislation and regulation promptly and in a form flexible enough to respond to cross-border consistency and other issues that may arise. Regulators need to act by end-2012 to identify conflicts, inconsistencies and gaps in their respective national

frameworks, including in the cross-border application of rules. They need to work together quickly to address the identified issues.

The FSB's review of infrastructure readiness found that the expansion of infrastructure use has plateaued. Infrastructure providers cite uncertainty over the future regulatory framework as inhibiting their ability to complete necessary changes, including uncertainty over the scope of products and participants that mandatory requirements will cover and the potential for cross-border regulatory differences and overlap.

Since the [third FSB progress report](#), published in June 2012, progress has been made in developing international policies, including through the publication of interim rules on capital requirements for bank exposures to CCPs and consultative documents addressing margining requirements for non-centrally cleared derivatives and recovery and resolution of financial market infrastructures. Standard-setters are working on guidance for trade repositories and authorities aimed at facilitating minimum access for authorities to trade repository data needed to support their mandates and responsibilities. Significant progress has been made in the design of a global legal entity identifier system, and the FSB is leading work to launch the system by March 2013.

Given the progress already made by June on achieving the four safeguards, G20 Leaders called on jurisdictions to rapidly finalise their decision-making and put in place the legislation and regulations needed to meet the end-2012 commitment to central clearing. The FSB will separately report to the November 2012 G20 Finance Ministers and Governors meeting on the decisions FSB member jurisdictions have taken in this regard.

Since June 2012, significant steps towards further implementation have been taken, notably by the European Union, Hong Kong, Japan and the United States. The report summarises current progress in implementing legislative and regulatory frameworks.

Jurisdictions are working together, both bilaterally and multilaterally, to identify and address cross-border issues. However, progress to date in cross-border discussions has been slow. This risks delaying the full and timely implementation of the G20 objectives.

In a number of jurisdictions the approach to cross-border application has yet to be specified. With the end-2012 deadline for reforms imminent, individual jurisdictions that have not yet done so need to urgently set out their proposed cross-border approach, not least so as to enable issues of international consistency between jurisdictions' approaches to be identified and addressed. The FSB encourages discussions to quickly resolve any potential inconsistencies and, where needed, agree on coordinated approaches across jurisdictions. This includes continuation of work by key, high-level OTC derivatives market regulators from G20 jurisdictions. The FSB urges them to pursue further discussions before the end-2012 deadline to (i) identify the cross-border application of rules to infrastructure, market participants, and products; (ii) identify concrete examples of any overlaps, inconsistencies and conflicts; and (iii) develop options for addressing these issues.

The FSB welcomes feedback from the public on this report. Feedback should be submitted by 30 November 2012 by e-mail (fsb@bis.org) or post (Secretariat of the Financial Stability Board, c/o Bank for International Settlements, CH-4002, Basel, Switzerland). Feedback will be posted on the FSB website unless respondents request otherwise.

Notes to editors

In October 2010 the FSB published [21 recommendations for implementing the G20 commitments](#). The [first FSB progress report](#) on implementation was published in April 2011; the [second FSB progress report](#) in October 2011; and the [third progress FSB progress report](#) in June 2012.

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 is chaired by Mark Carney, Governor of the Bank of Canada. 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.financialstabilityboard.org.