

## Press release

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### FSB consults on guidance for CCP resolution and resolution planning

The Financial Stability Board (FSB) today published for consultation draft [Guidance on Central Counterparty Resolution and Resolution Planning](#). With central counterparties (CCPs) an increasingly important part of the financial system, 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 issued a discussion note in August 2016 on essential aspects of CCP resolution planning. The draft Guidance issued for consultation today is informed by responses to the discussion note.<sup>1</sup> The draft Guidance builds on the [FSB Key Attributes of Effective Resolution Regimes for Financial Institutions](#) (Key Attributes) which sets out a framework for resolution of financial market infrastructures (FMI). 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. When finalised, the Guidance will assist authorities and jurisdictions with implementing effective resolution regimes and developing credible resolution strategies and plans for CCPs.

The Guidance covers a number of aspects which authorities should consider when developing frameworks for resolving failing CCPs, including:

- policy objectives for CCP resolution to maintain financial stability;
- the powers that resolution authorities should have to maintain the continuity of critical CCP functions, return the CCP to a matched book and address default and non-default losses, including potential indicators for considering when a CCP should enter resolution;
- use of loss allocation tools in resolution and provisions necessary to protect creditor rights so the triggering of resolution by authorities does not leave creditors worse off than if the authorities had not stepped in; and
- steps authorities should take to establish crisis management groups for CCPs that are systemically important in more than one jurisdiction, develop resolution plans and conduct resolvability assessments.

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<sup>1</sup> Public responses to the discussion note can be found at [www.fsb.org/2016/11/public-responses-to-the-august-2016-discussion-note-on-essential-aspects-of-ccp-resolution-planning/](http://www.fsb.org/2016/11/public-responses-to-the-august-2016-discussion-note-on-essential-aspects-of-ccp-resolution-planning/)

The FSB will undertake further work on financial resources for CCP resolution and, based on further analysis and experience gained in resolution planning, determine by end-2018 whether it should develop further guidance on this issue.

Elke König, Chair of the FSB Resolution Steering Group and Chair of the European Single Resolution Board, said: “CCPs are an integral part of the financial system and play an important role in mitigating risks to the financial system. They have grown substantially over the last years. The failure of a CCP would have a significant impact on financial stability. It is essential that authorities have effective resolution planning arrangements in place, including legal powers and tools to take action in a crisis. Once finalised the guidance will provide an internationally agreed standard for CCP resolution.”

The FSB welcomes comments and responses to the questions set out in the consultative documents by Monday, 13 March 2017. Responses should be sent to [fsb@fsb.org](mailto:fsb@fsb.org). Responses will be published on the FSB website unless respondents expressly request otherwise.

### **Notes to editors**

The FSB Resolution Steering Group leads the FSB’s work on resolution and resolution planning for all sectors and developed the *Key Attributes*. The *Key Attributes* 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”.

In April 2015, the FSB, the Basel Committee on Banking Supervision (BCBS), the Committee on Payments and Infrastructures (CPMI), and the International Organization of Securities Commissions (IOSCO), agreed a [joint workplan](#) to enhance the 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 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](http://www.fsb.org).