

Darren Hannah
Vice-President
Finance, Risk & Prudential Policy
Tel: (416) 362-6093 Ext. 236
dhannah@cba.ca

March 13, 2017

Financial Stability Board
fsb@fsb.org

Dear Sir/Madam:

Re: CBA¹ Letter of Support for Joint Industry Submission on FSB's Guidance on Central Counterparty Resolution and Resolution Planning

As CCP clearing members, Canadian banks wish to ensure that a clear, fair, and credible resolution planning process exists in the unlikely event of a CCP resolution. As such, the CBA would like to acknowledge the work that the FSB has undertaken on this difficult and complex issue.

On behalf of the CBA, I am writing to express our support for the joint industry submission² on the FSB's consultation document entitled "Guidance on Central Counterparty Resolution and Resolution Planning". In particular, we support the principle in the FSB's guidance that clearing members should be able to assess at all times the maximum amount that they may be required to contribute under any assessments or cash calls, as set forth in CCP rules and arrangements, and we would also like to reaffirm our view on the following key points:

- initial margin haircutting and forced contract allocation should never be utilized;
- there should be continued pari passu treatment of creditors;
- CCPs should be adequately capitalized by their owners to fully absorb non-default losses;
- clearing participants should never be required to cover non-default losses; and,
- CCP members should be provided with adequate compensation (e.g., senior claims) for incurred losses, where appropriate.

We would be pleased to discuss our views with you further at your convenience.

Sincerely,



¹ The Canadian Bankers Association works on behalf of 61 domestic banks, foreign bank subsidiaries and foreign bank branches operating in Canada and their 280,000 employees. The CBA advocates for effective public policies that contribute to a sound, successful banking system that benefits Canadians and Canada's economy. The Association also promotes financial literacy to help Canadians make informed financial decisions and works with banks and law enforcement to help protect customers against financial crime and promote fraud awareness. www.cba.ca.

² The joint industry submission was prepared by the Futures Industry Association, the Global Financial Markets Association, the Institute of International Finance, and the International Swaps and Derivatives Association, and submitted to the FSB on March 13, 2017.