

Comments on FSB Discussion Note on – Essential Aspects of CCP Resolution Planning

The framework for resolution of Central Counterparties must clearly define the process from recovery to resolution. This is essential to monitor changes from the recovery stage to the resolution stage as it has a huge impact on the market. As the stage of recovery to resolution could be a grey area, there should exist clear discretionary rights with the resolution/regulatory authorities to determine these stages as part of transition from recovery to resolution of CCPs. This will pave way for clear identification of whether a CCP should be recovered or resolved. Further, specific triggers for resolution may be identified by the authorities which would be scenarios common to all central counterparties and jurisdictions. Identification of resolution triggers would be beneficial to market participants, the regulators as also the central counterparty itself:

- 1) Identification of triggers will help clearing participants to be fully informed of such scenarios and therefore the market may not be adversely affected.
- 2) It will enable the regulators to regularly assess the health of the central counterparties.
- 3) These triggers will also help the central counterparties in restoring it to a matched book.

The triggers for leading the central counterparty to resolution may be delineated at granular levels based on low, moderate, imminent and critical risk scenarios subject to the discretion to be vested with the authorities as mentioned above. Incidentally, similar dispensation has been provided in the proposed resolution bill in India available on the Ministry of Finance's website.¹

These triggers will enable the regulators as also the resolution authority to assess and monitor the transition from the stages of recovery to resolution. As the triggers identified would be uniform, it would help market participants to operate cross- border with ease with adequate awareness of the stages of recovery and resolution.

¹ Available on <http://finmin.nic.in/fslrc/FRDI%20Bill-27092016.pdf>