FSB FINANCIAL STABILITY BOARD

FSB Continuity of Access to FMIs for Firms in Resolution

Streamlined information collection to support resolution planning (revised version 2021)

20 August 2021

The Financial Stability Board (FSB) coordinates at the international level the work of national financial authorities and international standard-setting bodies in order to develop and promote the implementation of effective regulatory, supervisory and other financial sector policies. Its mandate is set out in the FSB Charter, which governs the policymaking and related activities of the FSB. These activities, including any decisions reached in their context, shall not be binding or give rise to any legal rights or obligations.

Contact the Financial Stability Board

Sign up for e-mail alerts: www.fsb.org/emailalert
Follow the FSB on Twitter: @FinStbBoard
E-mail the FSB at: fsb@fsb.org

Copyright © 2021 Financial Stability Board. Please refer to the terms and conditions

Table of Contents

Executive summary 1
Questionnaire for FMIs 2
1. Overview 2
2. Structure of the questionnaire and instructions for completion 3
3. Publication of the responses to the questionnaire 5
4. Changes versus 2020 questionnaire template 5
5. Definitions for the purposes of the questionnaire 6
Part I: Legal entity and general contract/service information: 8
Part II: Rulebook / Contractual provisions regarding termination 9
Part III: Prior to resolution, during signs of distress at the participant 11
Part IV: During and after resolution 14
Part V: Arrangements and operational processes to facilitate continued access in resolution ... 17

Executive summary

In May 2019, the FSB held a workshop with industry on continuity of access to FMIs for firms in resolution[1] to discuss possible actions that could be taken to assist authorities and firms in implementing the FSB Guidance on Continuity of Access to Financial Market Infrastructures (FMIs) for a Firm in Resolution of 2017 ('Guidance').[2]

The Guidance sets out arrangements and safeguards to facilitate continuity of access to FMIs for a firm in resolution. Authorities and firms face similar information needs as they develop their resolution plans and engage with FMIs on arrangements and safeguards to address continuity of access in resolution issues.

As one of several outcomes of the workshop, to reduce the burden of duplicative information gathering efforts, it was suggested that the process of collecting certain baseline information relevant to continuity of access in resolution could be streamlined through the use of a common template or questionnaire for gathering the relevant information. This could reduce the "many to one" nature of inquiries from banks and authorities to FMIs, streamline the provision of this information from FMIs to firms and authorities, and streamline the information gathering process for firms who are members of multiple FMIs.

In the second half of 2019, the FSB's Cross-border Crisis Management Working Group for banks (bankCBCM), in consultation with FMIs and banks, developed a draft questionnaire and consulted relevant FMI oversight authorities with the assistance of CPMI-IOSCO Secretariats. The questionnaire was then published in August 2020 and many FMIs have subsequently developed responses. Following an evaluation of stakeholders' first experiences with the process via an online survey in April 2021, the FSB has now updated the questionnaire.[3]

All FMIs are encouraged to complete the questionnaire and to publish their responses, or to make them available in other ways to FMI service users and resolution authorities to inform their resolution planning. The FSB emphasises that if an FMI chooses not to complete the questionnaire, it should be prepared to respond to its clients' (and their resolution authorities') information requests within reasonable deadlines as mutually agreed. As the relevant authorities of firms and those of FMIs play a significant part in facilitating the continuity of access to FMIs of a firm in resolution,[4] it is important that relevant authorities, including those of FMIs, be informed and involved in the process as needed. There may be jurisdictional differences in whether and how authorities are involved.

---

1 FSB (2019) *Industry workshop on continuity of access to FMIs for firms in resolution - Informal Summary of the Workshop*, May.

2 FSB (2017) *Guidance on Continuity of Access to Financial Market Infrastructures (FMIs) for a Firm in Resolution*, July.

3 This questionnaire focuses on FMI participants that are banks subject to resolution planning, but relevant authorities could also use it as a basis for resolution planning interaction with other FMI participants.

4 See Section 3 of the Guidance, Co-operation among authorities and communication between authorities, firms and providers of critical FMI services".

Questionnaire for FMIs

1. Overview

A key objective of effective resolution is to maintain financial stability and the continuity of a bank's critical functions. This requires a firm in resolution to maintain continued access to critical clearing, payment, settlement, custody and other services provided by financial market infrastructures (FMIs).[5] Access to FMIs is essential for banks[6] to be able to continue performing their critical functions[7] or critical services under all circumstances, including in cases where banks need to be resolved. Potential loss of access to any of the critical FMI's services is thus considered a key impediment to resolution. Three levels of access are to be kept in mind: 1) membership/participation (maintaining a valid contract with the FMI); 2) ability to send new transactions; and 3) ability to use ancillary services.

The Financial Stability Board's (FSB) Guidance on Continuity of Access to Financial Market Infrastructures (FMIs) for a Firm in Resolution of 2017 ('Guidance')[8] sets out arrangements and safeguards to facilitate continuity of access to FMIs for a firm in resolution. These apply at the level of the providers of FMI services (FMIs and FMI intermediaries), at the level of FMI participants (firms, banks, participants, members, or service users) and at the level of the relevant resolution authorities (RAs) and supervisory authorities.

The FSB made a commitment to consider what further actions could be taken to assist authorities and firms in implementing the Guidance. In relation to Section 2 of the Guidance, authorities and firms face similar information needs as they develop their resolution plans and engage with critical FMI service providers on arrangements and safeguards to address continuity of access in resolution issues. In view of the difference in the nature of the relationship between FMIs and their clients on the one hand, and FMI intermediaries and their clients on the other hand, the FSB has developed separate documents to cover information needed from FMIs and FMI intermediaries, respectively.[9]

For FMIs, the use of a common questionnaire for collecting certain baseline information relevant to continuity of access in resolution should help reduce the burden of information gathering and unnecessary duplication. FMIs are encouraged to publish their responses to the questionnaire, taking into account any confidentiality concerns, to ensure that all participants/members and RAs have access to the same baseline information. (See Section 3 below, "Publication of the responses to the questionnaire"). In order to support firms and authorities in gathering

---

5 FMIs include payment systems, securities settlement systems, central securities depositories, and central counterparties.

6 Some participants of FMIs may not be banks. While this questionnaire focuses on bank participants, relevant authorities could use it as a basis for interaction with FMIs on non-banks.

7 Activities performed by a firm for third parties, the sudden discontinuation of which may lead to financial instability or impact the real economy. Examples of critical functions may include, but are not limited to, deposit-taking, lending, payment and settlement services, capital market activities and wholesale funding.

8 See FSB *Guidance on Continuity of Access to Financial Market Infrastructures (FMIs) for a Firm in Resolution*, 2017 (July).

9 While questions in this questionnaire could also apply to FMI intermediaries, the latter are not in scope of this questionnaire. A framework to support clients in their engagement with FMI intermediaries is published separately to cover the topic for FMI intermediaries.

information from all of their critical FMI services, FMIs owned and operated by central banks could consider also developing responses to this questionnaire.

The questionnaire responses should help authorities and firms to understand, and to the extent possible anticipate, the potential action that FMIs could take in a resolution or in the lead-up to resolution, and how FMIs can support resolution actions where necessary and possible. For their part, FMIs may also need information on the resolution frameworks applicable to their participants to be able to respond to some of the questions. An overview of the resolution frameworks in FSB jurisdictions can be found in Annex 1 of its annual Resolution progress report.[10] Additionally, some jurisdictions are publishing guidance on how resolution of a participant may impact an FMI.[11]

The information collected should serve as a basis for and supplement to an appropriate level of direct engagement between firms and/or resolution authorities and FMIs regarding actions in recovery and resolution of firms, or any other resolution planning requirements for firms in any jurisdiction.

The questionnaire is not exhaustive and may not fully cover authorities' and/or firms' information needs. In certain cases they may still need to pursue additional bilateral engagement with the FMI for purposes of their resolution planning, even beyond these topics.

As stated in the FSB Guidance, whether or not an FMI service user (or its parent or affiliate) is in resolution, the FMI should "retain the ability, as specified in its rules or contractual arrangements, to terminate, suspend or restrict participation or continued provision of critical FMI services where the firm fails to meet payment, delivery or other obligations or where the safe and orderly operations of the provider of critical FMI services could be compromised". Nothing in this questionnaire should be read as seeking to modify the Guidance. **This information sharing is not intended to supersede any contracts or rulebooks governing the relationships between FMIs and their clients. An FMI's responses to this questionnaire should be considered indicative and not as a firm commitment to how the FMI may or may not use any discretion under its rules or contractual framework.** FMIs may add their own disclaimers to the responses they develop to make this even clearer. If an FMI chooses not to complete the questionnaire, it should be prepared to respond to its clients' (and through them, their resolution authorities') information requests within reasonable deadlines as mutually agreed, to enable them to pursue contingency planning arrangements.

2. Structure of the questionnaire and instructions for completion

The questionnaire is composed of five parts covering:

1. general information on the FMI and its legal structure;

---

10 The latest Resolution report can be found here: FSB (2020), *2020 Resolution report: "Be prepared"*, 18 November.

11 Please refer to the "dossiers for FMIs" for information on the resolution tools applicable in selected jurisdictions: e.g. Banking Union (SRB), Canada (CDIC)..

2. information on the rulebook / contractual provisions regarding termination;

3. the phase prior to resolution, during signs of distress at the FMI participant;

4. the resolution phase; and

5. arrangements and operational processes to facilitate continued access in resolution.

When responding to the questionnaire, please:

i. provide relevant information to a reasonable level of detail, appropriate in view of the information needed by clients to conduct their resolution planning;

ii. reference relevant regulatory or rulebook/contractual provisions whenever possible, and be aware that more information may need to be provided to fully cover a question;

iii. clearly distinguish in each answer whether the response relates to direct or indirect participants or both;

iv. clarify in each answer whether your answer applies to all types of services that your FMI provides (please consider separate questionnaire responses in case services are very different);

v. consider, to the extent relevant, all roles that banks may fulfil in the FMI's ecosystem (intermediary, nostro agent, liquidity provider etc.);

vi. provide precise cross-references to answers provided in preceding parts of the questionnaire and/or in hyperlinked public documentation if this is useful to avoid the risk of competing published texts; and

vii. provide any additional clarifications and explanations when answering the questions.

The questionnaire aims to cater to the needs of the clients of different types and sizes of FMIs. There may be questions or answers that could be more specifically targeted to different types of FMIs (e.g. CSDs, CCPs); supplemental explanations can be provided in these cases as well. FMIs should take a proportionate approach to responding to the questionnaire: if a question is less relevant for the context of that FMI, then it need not be answered in detail. FMIs may decide to diverge from the template format as appropriate and choose another way of presenting their answers, as long as it is clear that the response covers all questions. FMIs can also cross-reference to previous answers. The set-up of the questionnaire aims to focus the discussion on specific differences in rules or actions that may affect the phases in the lifecycle of a firm in crisis.

Where relevant, the level of consolidation at which the FMI prepares the information (e.g. on behalf of several group entities) should be appropriate in view of the information needed by clients to conduct their resolution planning.

The FSB does **not** require that the responses to the Questionnaire are provided in English. The language used should be a language that the FMI's clients can process. This could for instance be the language used for the contract and/or the rulebook. That said, English may make the responses better accessible to the global audience, for instance to foreign resolution authorities

that need to understand FMIs' responses for the purpose of resolution planning of banks under their remit.

3. Publication of the responses to the questionnaire

For greater transparency and to optimise the efficiency of the information flow from an FMI to its participants, FSB member authorities prefer for the responses to this questionnaire to be made publicly available, ideally on the FMI's public website and near its disclosures related to the Principles for Financial Market Infrastructures. FMIs are encouraged to discuss the process for publication with their supervisors and overseers as part of their regular engagement.

Where FMIs identify any answers that cannot be made public for reasons of confidentiality, they are nevertheless encouraged to share them (i) with direct and indirect participants upon request; and/or (ii) with authorities.

Where FMIs choose not to publish their responses due to confidentiality concerns, they are asked to publish a reference that a response is available, including the manner in which it can be obtained (e.g. a contact point).

FSB encourages publication by FMIs of the set of responses that is not subject to such concerns, or, at a minimum, non-binding 'presumptive path' summaries of their presumptive reaction to a FMI participant (i) experiencing distress (which may result in the member being suspended or placed into default by the FMI), or (ii) entering into resolution (to understand the differences in treatment of a firm in resolution).

In order for their questionnaire responses to correctly reflect the FMIs' current rules, procedures and operations, FMIs are encouraged to update their responses upon material changes to their rulebooks or contractual agreements and to review them periodically (at least once every two years) to ensure continued accuracy and usefulness. They are asked to show the date of the latest update or review on the above-mentioned public section of their websites and to make their clients' contact points aware of the update through their regular channels of communication.

4. Changes versus 2020 questionnaire template

Upon publication of the questionnaire template in August 2020, the FSB indicated that it would review the experience of stakeholders with the use of the questionnaire in 2021. To this end, an online survey was open for public feedback on the FSB website between 7 April and 3 May 2021 and known stakeholders were notified. A total of 19 submissions were received, most of which were from FMIs and firms subject to a resolution planning requirement. While a large majority of respondents (from various perspectives) indicated that the questionnaire template was useful, a number of suggestions were also made. To the extent feasible, these have been incorporated as clarifications or amendments to the introductory section. No major changes have been made

to the questionnaire itself – this keeps the burden for FMIs low when they update their responses in line with this revised version.[12]

Some stakeholders raised issues that had already been discussed at a virtual outreach meeting in September 2020 and summarised in a Q&A document afterwards.[13] Those answers remain broadly valid (some have been superseded by the publication of this revised questionnaire). On request of one respondent, the FSB publishes this questionnaire additionally as a Rich Text Format (RTF) file.

5. Definitions for the purposes of the questionnaire

A Financial Market Infrastructure (**"FMI")** is, as defined by the Key Attributes[14], "a multilateral system among participating financial institutions, including the operator of the system, used for the purposes of recording, clearing, or settling payments, securities, derivatives, or other financial transactions". As used in this questionnaire, an FMI includes payment systems, central securities depositories (CSDs), securities settlement systems (SSSs), and central counterparties (CCPs). It does not extend to trade repositories or to trading platforms. Given the aim of the questionnaire, FMIs owned and operated by central banks could consider also developing responses to this questionnaire.

The **"bridge institution"** tool aims to set up a bank that can be disposed (thus preserving the critical functions of the failing bank) and to separate it from the rest. It can be applied to maintain the bank's critical functions, while searching for a third-party purchaser. The tool allows for the transfer of i) instruments of ownership issued by one or more institutions under resolution or ii) all or any assets, rights or liabilities of one or more institutions under resolution to a bridge institution. A temporary bridge institution (also known as a bridge bank) is created and critical functions will be maintained until a sale to a private purchaser can be concluded. Any residual part of the bank that has not been sold is then subject to ordinary insolvency proceedings.

"Critical functions" are activities performed by a firm for third parties where failure would lead to the disruption of services that are vital for the functioning of the real economy and for financial stability due to the size or market share of the financial institution or group, its external and internal interconnectedness, and complexity and cross-border activities.

"Critical FMI services" are clearing, payment, securities settlement and custody activities, functions or services, the discontinuation of which could lead to the collapse of (or present a serious impediment to the performance of) one or more of the firm's critical functions. They include related activities, functions or services whose on-going performance is necessary to enable the continuation of the clearing, payment, securities settlement or custody activities, functions or services. Critical FMI services are identified in the course of the resolution planning for a firm and may be provided to a firm either by an FMI, or through an FMI intermediary.

---

12 A new question 0 (zero) has been added. In Part V, the questions previously numbered 40(a), 40(b) and 43 have been removed. FSB member authorities emphasise that ad-hoc updates to reflect this in prepared questionnaire responses are deemed not necessary – rather, FMIs can take these changes on board during the next review of their responses.

13 FSB (2020), *FSB Continuity of access to FMIs for firms in resolution: informal summary of outreach and Q&A*, 9 December.

14 See FSB *Key Attributes of Effective Resolution Regimes*, 2014 (October)

“Critical services” or **“critical shared services”**. This is an activity, function or service performed by either an internal unit, a separate legal entity within the group or an external provider, performed for one or more business units or legal entities of the group, the failure of which would lead to the collapse of (or present a serious impediment to the performance of) critical functions.

An **“FMI intermediary”** is an entity that provides clearing, payment, securities settlement and/or custody services to other firms in order to facilitate those firms’ direct or indirect access to an FMI.

The terms **“FMI service user,” “client”, “firm,” “bank,” “participant,” or “member”** are used interchangeably in this document to mean a legal entity that is an institution or a group that has access to critical FMI services.

A **“group”** means a parent undertaking and its subsidiaries.

An **“institution”** refers to a ‘credit institution’ or an ‘investment firm’.

A **“provider of critical FMI services”** is an FMI or FMI intermediary that provides critical FMI services.

“Resolution” refers to the exercise of resolution powers or tools by any resolution authority in relation to a firm (including in relation to a parent company and/or any of its affiliates) pursuant to the resolution regime in the firm’s jurisdiction.

Part I: Legal entity and general contract/service information:

0. Please provide:

   a) the date of the most recent version of the answers to this questionnaire, and

   b) an overview of the changes made since the previous version.

1. Please provide the following details:

   a) Full Legal Name

   b) Legal Entity Identification Number (LEI)

   c) Jurisdiction of incorporation and registered number in the relevant corporate registry

   d) Supervisory, resolution or other relevant regulatory authority responsible for overseeing the activities of your organisation in (i) the relevant jurisdiction(s) of incorporation, and (ii) if different from the jurisdiction of incorporation, the relevant jurisdiction(s) of operation. Where an FMI is overseen by more than one regulatory authority, please also indicate which is the principal/home regulator of the FMI and the relevant function(s) regulated by the respective authorities.

   e) The ownership arrangement of the legal entity (e.g. is it majority owned by its users?)

2. Please provide the following information:

   a) Hyperlink to the published FMI disclosure template under the Disclosure Framework for Financial Market Infrastructures.[15]

   b) A list or description of services provided, including a summary of the key ongoing access requirements that you require of members for each service (including operational, financial, and capital requirements).

3. Do your members/clients access your services directly or through an intermediary?

4. Do your members/clients need a specific software or IT programme to receive your services? If the answer is 'yes', is such software/ IT programme your proprietary product or a specific third-party product (please also consider whether specific plug-ins that you require clients to run only run in combination with certain software, e.g. Microsoft products)?

5. If your contracts are all governed by one governing law, please specify which governing law this is. If there are different governing laws, please specify the main governing laws applicable and explain whether this is dependent on the location of the services provided or as negotiated with the members/clients, or any other reason.

---

[15] See BIS-IOSCO, *Principles for financial market infrastructures: Disclosure framework and Assessment methodology*, 2012 (December).3

6. Are there any other service providers or FMIs (for example, CSDs, payment systems or other infrastructure) that a member/client would need to have access to in order to receive your services? Please provide the names of those types of service providers and their regulatory status, where applicable.

7. Does your operating framework recognise the continued operations of FMI participants once they enter into resolution (e.g. as under the Bank of England's Resolvability Assessment Framework, or the Single Resolution Board's Expectations for Banks)?

Part II: Rulebook / Contractual provisions regarding termination[16]

8. Discretionary termination rights.

    a) Rule Book / Participation agreement provisions: which provisions give rise to a right to terminate a service user's access? Are the FMI's termination provisions disclosed publicly? If so, please provide any link(s) to that information.

    b) Are these provisions based solely on objective criteria, or can the FMI exercise judgement when triggering termination?

    c) Does the FMI use 'forward looking' indicators that may trigger termination, and if so, which ones?

        d) Do the FMI's provisions envisage that (i) financial stress on the participant's side (as defined in its provisions – please provide the definition of such stress) and/or (ii) a resolution event (recognised in the relevant jurisdiction) qualifies as a material change that may trigger termination?

    e) During stress or resolution of the member, are actions by other FMIs taken into account as possible indicators or triggers for termination?

    f) Are there any other relevant provisions regarding termination? If so, please explain why they are necessary for the FMI to enable rights for termination.

9. Suspension or restriction of membership.

    a) Does your framework allow for suspension or restriction of a participant's membership rather than termination? If yes, what exactly does this imply (for instance, limiting the right to enter new transactions in the system)? Please explain any differences to termination.

    b) Is there a specific timeline for a suspension period before it leads to termination of membership, and are there circumstances where suspension may be lifted without a termination of membership?

[16] If your FMI also has the option to suspend rather than terminate membership, please specify for each answer whether and how it would differ for suspension. Please also note Question 4, which asks about the details of suspension in your FMI's provisions.

10. Critical FMI service rules, contractual arrangements, or procedures should reflect any legal restrictions on termination and suspension of access because of an FMI service user entering into resolution (FSB 2017 Guidance, 1.1).

    a) In what way do your rules, contractual arrangements and procedures reflect this?

    b) Do such arrangements include the effect of parent or affiliates entering resolution?

    c) Do you have any plans to amend or otherwise change, or have you recently changed your rules, contractual arrangements or procedures to address legal restrictions on termination of access in the event that an FMI service user enters resolution? If so, please provide details of the proposed/applied changes.

11. Triggers, procedure and consequences of termination of FMI participation.

    a) Triggers: in which situations would termination be considered? Is participation/membership generally terminated in case of financial stress? Are these criteria clearly outlined in the rulebook or other contractual documentation (please include the relevant references)?

    b) Please explain the management and monitoring around the termination process - steps and timelines of the escalation and decision-making, as well as of the implementation of termination. (Please provide concrete examples, if any, of participation/membership terminations and flag, where relevant, any changes made to the termination process since).

    c) What are the consequences of termination on the participant/member's ability to access the FMI's services? Would the firm be able to complete the processing of any outstanding transactions (e.g. not accepted for clearing or settlement, or in process but not complete) it has in the FMI's systems, or are these cancelled or liquidated?

    d) Would the decision to terminate participation/membership be notified ex ante (i.e. before it takes effect) to the competent authorities of (i) the direct participant and/or of (ii) the FMI? Would this decision be communicated ex ante to the participant itself? On both aspects, how long in advance of actual termination would such notifications occur?

    e) What impact would a participant/member's termination have on their parent/subsidiaries' direct membership in the FMI?

    f) Does the FMI have cross-default provisions in its rule set? Could it put a member in default because of an affiliate's insolvency or of an indirect participant/client's default or do the rules explicitly prevent or exclude such automatic termination (as long as other obligations are being met)?

    g) What assistance would the FMI provide with the porting (within the FMI) of the participant's direct and/or indirect positions/outstanding transactions to a parent/subsidiary membership, third-party successor or bridge entity?

    h) Please discuss any other points related to termination.

12. FMIs should retain the ability, as specified in rules or contractual arrangements, to terminate, suspend or restrict participation or continued provision of services where the firm fails to meet obligations or where safe and orderly FMI operations could be compromised (FSB 2017 Guidance, 1.1).

    a) Under what conditions, if any, could safe and orderly FMI operations be at risk from maintaining participation of a service user in resolution?

    b) Which indicators, if any, can a participant use to anticipate that such a scenario may occur?

13. Are there any further aspects or issues to mention in relation to the provisions for termination or suspension of membership? If possible, please provide concrete examples of specific factors that were considered in the past when assessing whether to exercise judgement to terminate or suspend a participant's access. Please elaborate.

Part III: Prior to resolution, during signs of distress at the participant

The questions in this section assume a situation of stress, in which one of the FMI's (direct) participants/members, or an affiliate company, exhibits signs of distress. Please distinguish in case there are differences between situations of idiosyncratic vs. market stress.

To avoid duplication, respondents may cross-reference other answers when appropriate.

14. What management and monitoring process(es) does the FMI have in place to identify a situation of stress of a (direct) FMI participant or its affiliate?

15. Which indicators does the FMI consider as part of its management and monitoring in order to determine whether its participants/members face difficulties due to idiosyncratic and/or market stress (outside of entry into resolution)?

16. What risk mitigation actions could the FMI take under its rules / internal procedures vis-à-vis the participant or member? Which of those potential actions are likely, i.e. to be expected by the firm? How would risk mitigation vary in the event of mild, moderate, and severe stress situations at a participant/member? Could actions be taken even though the participant/member meets its obligations?

17. What self-reporting requirements are placed on the member/participant in a situation of stress (e.g. additional reporting, increased reporting frequency; evidence of operational and financial capacity)? Please provide any templates or overviews of required data points, where available.

18. Please explain the methodology used to calibrate additional membership requirements (including operational, financial and capital requirements) for a member/client in financial stress outside of resolution.

19. Please describe for each of the below risk mitigation actions, in as far as they form part of the FMI's set of potential risk mitigation actions: (i) whether these actions are discretionary or pre-determined, e.g., would the FMI follow a required set of actions, which may be described in its rule book; (ii) in which way, if at all, the FMI could deviate from the predetermined procedure so as to either disregard a mandated risk mitigation action or adopt a non-standard action?

    i. Increasing membership contributions (e.g. default fund/loss sharing contributions), mandating pre-funding, restricting withdrawal of deposits;

    ii. Increasing initial/variation margin/collateral requirements, restricting collateral types, removing cross-margining facilities; increasing liquidity obligations;

    iii. Removing credit lines, reliance on parental guarantees or securities borrowing facilities;

    iv. Enforcing trading controls including position limits, restricting markets;

    v. Termination or suspension of participation/membership.

20. Please answer question 19 also for other risk mitigation actions, if any, that are not mentioned here and would likely be taken.

21. In a situation of idiosyncratic or market stress, in which one of the FMI's (direct) participants/members, or an affiliate company, exhibits signs of distress, communications and notifications may be necessary. Please distinguish in the below in case there are differences between a situation of idiosyncratic vs. market stress.

    a) What notifications or communications would the FMI undertake to the participant/member, their competent and/or resolution authority, the FMI's competent and/or resolution authority, the stressed firm's settlement agent, and other stakeholders, and when? Would any of these be based on an obligation for the FMI to notify?

    b) Do you have a specific communication plan for this, or does your approach leverage existing crisis communication mechanisms? In both cases, please describe the main features of the approach.

    c) Does the FMI need to get consent from the firm or inform the firm prior to a notification or communication?

    d) Do the communication/notification protocols require specific factors to be considered, for example legal implication, market impact, etc.?

    e) Are your communication protocols standardised across participants or do they take into account the specificities of firms' participation and roles in respect of the FMI?

22. Alleviating uncertainty for the FMI.

a) Which actions could the firm or the relevant authorities take in order to alleviate uncertainty for the FMI, and reduce the risk that the FMI may take risk mitigation actions that may have an adverse financial impact on the firm?

b) Which data / quantitative information and what qualitative information might you need to receive from the participant and/or RA in order to allow the participant to maintain access (please consider the three levels of access mentioned in footnote 3)? Please specify by when you would need each piece of information, if appropriate.

c) What other actions could be taken ex-ante to avoid a temporary interruption of services or the risk of some transactions remaining unexecuted?

d) Please discuss any other considerations.

23. Considering adverse financial impact of FMI risk mitigation actions on direct/indirect participants.

a) Some actions, designed to protect the FMI, may precipitate the failure of the relevant participant/member or worsen its position at the time of resolution. How does the FMI consider this when deciding to protect itself?

b) Does the FMI take into account the impact on indirect participants of actions taken in response to a direct participant/member facing financial stress?

24. Possible differences in treatment of domestic and foreign FMI service users entering into resolution.

a) Do you differentiate in your treatment of domestic and foreign FMI service users, and if so in what way?

b) Among foreign users, is there a distinction for users from certain jurisdictions? If so, what are those distinctions?

25. Safeguards in jurisdictional legal frameworks.

a) How do you assess whether the resolution framework of the jurisdiction in which a firm resides provides adequate safeguards to the provider of critical FMI services?[17]

b) From which regulatory regimes (e.g. countries) do you accept service users?

26. Are there any further aspects or issues to mention in relation to interaction between the FMI and a participant in financial stress? Do you have any examples of past experiences where the FMI has utilised its powers in relation to a member undergoing stress? What actions were undertaken and what were the outcomes? Could this example be indicative of actions that may be taken in a future case?

---

[17] See FSB, *Principles for Cross-border Effectiveness of Resolution Actions* 2015 (November).

Part IV: During and after resolution

To avoid duplication, respondents may cross-reference other answers when appropriate.

27. When the FMI becomes aware of a participant entering a resolution process, which actions would the FMI be likely to take vis-à-vis the participant? Could actions be taken even though the participant/member meets its obligations?

28. Please explain the methodology used to calibrate additional membership requirements (including operational, financial and capital requirements) for a member/client in resolution. To what extent does the FMI take into account the resolution strategy and tools applied to a member to determine their financial and operational requirements? Does the FMI consider anything specific in its methodology in relation to ring-fenced or specifically safeguarded entities?

29. Please describe for each of the below risk mitigation actions, in as far as they form part of the FMI's set of risk mitigation actions upon a participant entering a resolution process (in addition to actions that would be taken prior to resolution): (i) whether these actions are discretionary or pre-determined, e.g., would the FMI follow a required set of actions, which may be described in its rule book; (ii) in which way, if at all, the FMI could deviate from the predetermined procedure so as to either disregard a mandated risk mitigation action or adopt a non-standard action; (iii) how/when the following risk mitigation actions would be communicated to the participant.

    i. Temporary suspension of certain activities (and if so, which activities);

    ii. Potential requirements to contribute additional margin or amounts to default or guarantee funds, secure additional liquidity commitments (including on an intra-day basis), or to pre-fund part or all of payment and settlement obligations;

    iii. Potential changes to operational or information requirements, including those needed because certain services might not be available;

    iv. Potential requirements that may apply in relation to a bridge institution or a third-party purchaser to which functions have been transferred.

30. Please answer question 29 also for other risk mitigation actions, if any, that are not mentioned here and that would likely be taken.

31. In what way should a service user prepare for resolution-related risk mitigation measures by the FMI to maximise the likelihood of maintaining access? Does the FMI provide any documented guidance on this to its participants/members, and/or to their RAs?

32. What impact would a member/participant's resolution have on any parent or subsidiary's direct membership at the FMI?

33. In a situation of idiosyncratic or market stress in which one of the FMI's (direct) participants/members, or an affiliate company, enters resolution, communications and

notifications may be necessary. Please distinguish in the below in case there are differences between a situation of idiosyncratic vs. market stress.

a) What notifications or communications would the FMI undertake to the participant/member, their competent and/or resolution authority, the FMI's competent and/or resolution authority, the firm's settlement agent, and other stakeholders, and when? Would any of these be based on an obligation for the FMI to notify?

b) Do you have a specific communications plan for this or does your approach leverage existing crisis communication mechanisms?

c) Does the FMI need to get consent from the firm or inform the firm prior to a notification or communication?

d) Do the communication/notification protocols require specific factors to be considered, for example legal implication, market impact, etc.?

e) Are your communication protocols standardised across participants or do they take into account the specificities of firms' participation and roles in respect of the FMI?

f) Would your members/clients be able to leverage any preparations your organisation has undertaken to access the necessary communication infrastructure to deliver the increased extent of communications that may be needed to respond to a resolution and any restructuring of a member/client (such as increased call volumes to call centres)?

g) What management and monitoring arrangements would apply for these crisis communications and notifications? Would you have a dedicated team or a point of contact for receiving and initiating all communications that relate to a member/client entity in resolution or any related restructuring?

34. Alleviating uncertainty for the FMI. (As requested in Part II, if the responses to sub-questions a.-f. below have been documented in rulebook/contractual provisions or other documents, please reference.)

a) What actions (such as communication) could the participant or authorities take in order to alleviate uncertainty for the FMI about the participant's situation, and thereby reduce the risk that the FMI may take risk mitigation actions that may have a further adverse financial impact on the participant?

b) Assuming that the authorities and the affected member/client may not be able to share relevant information before the commencement of the resolution process, would that represent a material issue that could determine how your organisation responds to the fact that a member/client has been placed in resolution?

c) Which data / quantitative information would the FMI need to receive from the participant and/or RA in order to allow the participant to maintain access (please consider the three levels of access mentioned in footnote 3)? Please specify by when you would need each piece of information, if appropriate, including when you would need to be informed prior to resolution measures.

d) Which qualitative information would the FMI need to receive from the participant and/or RA in order to allow the participant to maintain access to the FMI? Please specify by when you would need each piece of information, if appropriate, including when you would need to be informed prior to resolution measures.

e) What other actions could be taken ex-ante to avoid a temporary interruption of services or the risk of some transactions remaining unexecuted?

f) Please discuss any other considerations.

35. Considering adverse financial impact of FMI risk mitigation actions on direct/indirect participants.

a) Some actions, designed to protect the FMI, may worsen the position of the participant at the time of resolution and as a result may also affect other participants. How does the FMI consider this when deciding to protect itself?

b) Does the FMI take into account the impact on indirect participants of actions taken in response to a direct participant/member entering into resolution?

36. FMI rules and contractual arrangements should allow a bridge institution to maintain its predecessor's participation (membership) during a resolution process (FSB 2017 Guidance, 1.1). (As requested in Part II, if the responses to the sub-questions below have been documented in rulebook/contractual provisions or other documents, please reference.)

a) Please explain how the FMI rules, contractual arrangements and/or procedures reflect this.

b) What would be the FMI's process to ensure that continuity of access can be maintained for the purchaser of a resolved entity or for a bridge institution?

c) Please share any timelines and any external dependencies for this process.

d) If the purchaser or bridge institution requires a new access, do you have a "fast-track" procedure to allow access for such a purchaser or bridge institution? How long is setting up access expected to take (with or without a "fast-track" procedure)? What would the FMI require in order to continue providing the service pending completion of the onboarding procedure (e.g. connectivity and BIC/SWIFT codes to remain unchanged)?

e) What type of information is needed in the context of a change-of-control assessment, i.e. to accept a purchaser or bridge institution as a participant/member? Please specify by when you would need each piece of information, if appropriate. How long would you then need to take an informed decision on access for the purchaser or bridge institution?

f) Does the FMI explicitly consider, in its rulebooks or internal procedures, the possibility of a RA requiring access for the purchaser or bridge institution even in case they do not meet the membership or participation criteria (for instance where a credit rating is required)?

g) Please discuss any other, e.g. practical, considerations around continuity of FMI access of a bridge institution or of a purchaser.

37. FMIs should consider the operational, technological, financial and legal implications arising from the transfer of functions or positions to a successor (either a bridge institution or a third-party purchaser). (FSB 2017 Guidance, 1.4)

    a) What preparations are necessary in your circumstances for such a transfer to be successful? What changes would be necessary for such a transfer to be successful? Please consider any preparations and changes by the FMI as well as by FMI members/service providers/others.

38. Portability/Transferability of underlying client positions, for example to facilitate a bridge or partial transfer resolution strategy.

    a) For CCPs: Which kind of segregated accounts are offered to (underlying) clients to facilitate the portability/transferability of client positions and securities collateral? Do you envisage that there may be material barriers to the effective and timely transfer of client positions following a decision to transfer the activities of the member in resolution to another member? If so, please explain.

    b) For CSDs: Do you offer segregated accounts to (underlying) clients? Do you envisage that there may be material barriers to the effective and timely transfer of client securities and cash to another custodian following a decision to transfer the activities of the participant in resolution to another participant? If so, please explain.

39. Are there any further aspects or issues to mention in relation to interaction between the FMI and the participant during or after resolution of the participant?

Part V: Arrangements and operational processes to facilitate continued access in resolution

40. The FMI should consider establishing management, monitoring and operational rules and procedures that facilitate the ability of FMI management to make prompt decisions in response to a service user's resolution (including a period when the FMI is closed for business). (FSB 2017 Guidance, 1.4)

    a) What procedures are in place at the FMI to facilitate prompt decision making at any time? What, if any, are the limitations?

    b) What would be the likely range of decisions undertaken after receiving notice of a service user entering into resolution? What market communications or notifications to the regulator would be undertaken?

41. In line with the Key Attributes,[18] FMIs should regularly test the effectiveness of their relevant rules, contractual arrangements and procedures in responding to a resolution scenario of a participant.

    a) How do you test these contingency arrangements? How do you take participants in resolution into account in those contingency arrangements?

    b) How do your rules facilitate the transfer of positions of a client of a service user in resolution to another service user of the FMI, as applicable?

42. How do you test members' readiness of arrangements for meeting increased information and communication requests (beyond those required in business as usual (BAU)) that will be needed prior to and during resolution? Which disclosures do you require from members in this regard?

43. Are there any further aspects or issues to mention in relation to arrangements and operational processes to facilitate continued access in resolution?

[18] See FSB, *Key Attributes of Effective Resolution Regimes for Financial Institutions*, 2014 (October), Appendix II-Annex I, part II, section 2.2, p. 73.