

## Continuity of access to financial market infrastructure (FMI) services for firms in resolution

### Statement following survey feedback

Access to FMI services is essential for banks to be able to continue performing their critical functions or critical services under all circumstances, including in cases where banks need to be resolved. The FSB Framework for information from FMI Intermediaries to support resolution planning and the FSB Questionnaire for FMIs on the same topic<sup>1</sup> have been developed to assist FMI service providers in identifying information that is potentially relevant for clients and resolution authorities and their resolution planning. Recent crisis cases in various jurisdictions have reinforced the need for banks to be prepared in this area.<sup>2</sup>

In October 2022<sup>3</sup>, the FSB ReSG surveyed banks, FMI intermediaries and FMIs about their experiences with the FSB Framework. The survey responses demonstrated, among other points, that:

- The FSB guidance is seen as a helpful reference for gathering relevant information to support resolution planning, but further uptake by FMIs and FMI intermediaries is needed.
- Some FMI service providers noted that they would welcome feedback on their Questionnaire responses from the users of that information.
- A respondent noted that not only banks, but also FMI service providers themselves have information needs to support their contingency planning.

Based on this feedback, the FSB considers that its existing publications on the topic of firms' continuity of access to FMI services in resolution do not currently need revision. However, the present document provides a set of clarifications to further support the information exchange between FMI service providers and FMI service users for contingency planning.

A significant number of internationally active FMIs have prepared a response to the FSB Questionnaire. The FSB strongly encourages all FMIs that have not done so already to prepare a response to the FSB Questionnaire and to review their response periodically to ensure continued accuracy and usefulness.<sup>4</sup>

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<sup>1</sup> FSB (2021a), FSB (2021b).

<sup>2</sup> As mentioned in the April 2023 letter of the FSB Chair to the G20 Finance Ministers and Central Bank Governors, the FSB will carefully analyse recent events in order to learn from them, including their implications for its future work.

<sup>3</sup> FSB (2022)

<sup>4</sup> FSB (2021a), section 3.

## Relevant stakeholders and uptake

*A number of FMI service users pointed out that not all FMIs have made a response available to the FSB Questionnaire and stressed the importance of the FSB guidance as reference for efforts to increase preparedness for contingencies. Conversely, some FMI service providers noted a lack of feedback from their participants about their Questionnaire responses.*

**The FSB expects that FMI service providers stand ready to respond to their clients' inquiries about continuity of access to their services.** This applies both to FMIs and to entities that provide clearing, payment, securities settlement, or custody services to other firms in order to facilitate the firms' direct or indirect access to an FMI ("FMI intermediaries"). The FSB Guidance on Continuity of Access to FMIs for a firm in resolution (2017) states that "firms should engage with providers of critical FMI services to understand how they are likely to respond to a firm in resolution and assess the nature and extent of any additional requirements. (...) Providers of critical FMI services should engage with their FMI service users to discuss and communicate the range of risk management actions and requirements they may impose on an FMI service user, where it (or its parent or affiliate) is in resolution."<sup>5</sup>

**The onus is on the firm to identify which FMI services it procures are critical for its continued operation in a crisis or in resolution.** Trading platforms are not in scope of the FSB's guidance. However, where a firm has a critical reliance on continued access to a trading platform during resolution, it may need to liaise bilaterally with the trading platform. The Framework for information from FMI intermediaries (FSB (2021b)) could be a useful reference for such a case.

## Questionnaire

**A significant number of internationally active FMIs have prepared a response to the FSB Questionnaire** (FSB (2021a)). Some FMIs have published their responses, while others have made their responses available to participants only, either via an extranet or bilaterally on request. Bank resolution authorities indicate that this has actively supported many banks' contingency planning over the past years and significantly reduced the need for bilateral interaction between banks and FMIs, in line with the aim of the Questionnaire. It is important that FMIs update their responses upon material changes to their rulebooks or contractual agreements and that they review them periodically (at least once every two years) to ensure continued accuracy and usefulness.

**The FSB strongly encourages all FMIs that have not done so already to prepare a response to the FSB Questionnaire.** It is imperative that banks prepare contingency plans for their access to critical FMI services. The Questionnaire facilitates collection of information for those contingency plans by reducing the burden of bilateral interaction about repetitive questions. FMIs are encouraged to identify and address any information gaps to minimise the need for bilateral follow-up between individual firms and the FMI about repetitive questions.

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<sup>5</sup> FSB (2017), 1.3 and 2.3.

**FMI services provided by FMIs owned and operated by central banks are within the scope of the FSB Guidance where it concerns their participants' need for information.**<sup>6</sup> Banks need to be prepared in relation to all critical FMI services (i.e. FMI services they require for the continuation of their critical functions during crisis and resolution).<sup>7</sup> For this reason, FMIs owned and operated by central banks are expected to provide their participants with the relevant information and they could consider developing responses to the Questionnaire.

### *Framework for information from FMI intermediaries*

**If the relationship between the firm and its FMI service provider is bespoke instead of based on rulebooks, the firm may need to address detailed questions to its FMI service provider.** The Framework for information from FMI intermediaries (FSB (2021b)) provides a checklist of baseline information that clients of FMI intermediaries should at a minimum cover in their contingency planning and that they may need to obtain from, or bilaterally discuss with, their critical FMI intermediaries. Firms are encouraged to make use of available information and reach out to the FMI intermediary for aspects they have not been able to cover otherwise.

## Build-up of Questionnaire and Framework

*Some respondents noted that the Questionnaire as well as the Framework appeared to contain duplicative questions between the sections of each document. One other respondent suggested specifying a standardised format for answering and publishing responses to the Framework.*

**Some questions in the Questionnaire template and the Framework that may appear duplicative are listed intentionally as separate questions.** The same topic can be relevant for an FMI service user at different phases of the crisis continuum, and similar questions may emphasise different aspects of the same topic across that continuum. FMIs are welcome to cross-refer to answers to avoid duplication in their Questionnaire responses, while making clear that any differences between the replies apply to various phases of the crisis continuum.

**Tailored arrangements between an FMI intermediary and users of its services may present difficulties for FMI intermediaries to fully standardise or publish their responses.** For this reason, the FSB guidance in relation to FMI intermediaries takes the form of a framework instead of a questionnaire template. The framework identifies topics likely to be part of information requests from their clients or from resolution authorities. This could help FMI intermediaries identify opportunities to streamline their response process, reducing the resources required to provide this information.

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<sup>6</sup> See section 2 ("Continuity of access expectations and requirements applicable to firms") in FSB (2017).

<sup>7</sup> See definition of "critical FMI services" as used in FSB (2017), FSB (2021a) and (2021b).

## Use cases for Questionnaire for FMIs and Framework for FMI intermediaries

*Some respondents noted that FMIs themselves might also have situations in which they need information for contingency planning from FMI intermediaries, or even from other FMIs. One respondent further indicated that the Framework did not say anything about information flows between FMIs and FMI intermediaries.*

**The FSB developed the Questionnaire and Framework to support banks' information needs in relation to their continuity of access to FMI services, but they may also benefit other stakeholders that seek to increase their contingency preparedness, including other FMI service providers.** If a stakeholder needs further information from an FMI or FMI intermediary not covered by a Questionnaire response, they should be able to liaise with each other bilaterally.

The FSB is open to receiving stakeholder input. In the future, it may consider whether changes to the Framework are warranted -- taking up further work to facilitate information exchange for contingency planning in relation to FMI services.

## List of references

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

FSB (2021a), Questionnaire for FMIs (revised version 2021), August.

FSB (2021b), Framework for information from FMI intermediaries to support resolution planning, August.

FSB (2022) Experiences with the FSB Framework for information from FMI Intermediaries to support resolution planning - Online survey for stakeholders, September