FSB FINANCIAL STABILITY BOARD

Press release

Press enquiries:
+41 61 280 8477
press@fsb.org

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FSB proposes a toolbox of financial resources and tools for the resolution of central counterparties (CCPs)

- ***FSB launches consultation on proposals for a set of resolution-specific resources and tools to support the resolution of a CCP.***
- ***Toolbox approach aims to ensure that adequate liquidity, loss-absorbing, and recapitalisation resources and tools are available to maintain the continuity of critical functions should resolution of a CCP become necessary.***
- ***The FSB will monitor implementation for CCPs that are systemically important in more than one jurisdiction and publish findings in its annual Resolution Report.***

The Financial Stability Board (FSB) published today a consultation report on the financial resources and tools for central counterparty (CCP) resolution.

The report presents the outcome of the FSB's qualitative analysis of a set of financial resources and tools for resolution: (i) bail-in bonds; (ii) resolution funds; (iii) resolution-specific insurance; (iv) resolution-specific third-party contractual support; (v) resolution cash calls; (vi) statutory or contractual variation margin gains haircutting for resolution; and (vii) equity in a first-loss position. The resources and tools were assessed against the relevant considerations for financial resources set out in the FSB *Key Attributes of Effective Resolution Regimes for Financial Institutions* (Key Attributes) and accompanying guidance on CCP resolution.

The analysis finds that resolution authorities may benefit from having access to a combination of complementary resources and tools to achieve a successful CCP resolution. This is because resources and tools have different strengths and weaknesses. They are also likely to have different effects on financial stability.

The report sets out a proposal for a toolbox approach as a global standard for CCP financial resources and tools for resolution. In this approach, home resolution authorities for systemically important CCPs should have access to a set of readily available resolution-specific resources and tools to support resolution, in addition to the use of available recovery resources and tools. Jurisdictions should disclose their approach to calibrating one or more of the resolution-specific resources in the resolution toolbox.

The FSB will monitor implementation for CCPs that are systemically important in more than one jurisdiction (SI>1 CCPs) through the FSB's annual Resolvability Assessment Process and

Crisis Management Group monitoring. The findings will be published in the FSB's annual resolution report.

The FSB invites comments on the report and associated questions, including supporting evidence where available. Responses should be sent to fsb@fsb.org by 20 November 2023 with the title "CCP resolution resources and tools". Responses will be published on the FSB's website unless respondents expressly request otherwise.

Notes to editors

In March 2022, the FSB, the Bank for International Settlements' Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO) published a joint report on *CCP Financial Resources for Recovery and Resolution*. Following the publication of the joint report, the FSB decided in April 2022 to undertake further qualitative work on financial resources and tools for systemically important CCP resolution. This consultation report presents the outcome of this work.

Implementation of the toolbox approach would be achieved through amendments to the Financial Market Infrastructure Annex to the Key Attributes and the 2020 *Guidance on Financial Resources to Support CCP Resolution and on the Treatment of CCP Equity in Resolution*.

The FSB coordinates at the international level the work of national financial authorities and international standard-setting bodies and develops and promotes 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 approximately 70 other jurisdictions through its six Regional Consultative Groups.

The FSB is chaired by Klaas Knot, President of De Nederlandsche Bank. The FSB 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.