

FSB Continuity of Access to FMIs for Firms in Resolution: Streamlined Information Collection to Support Resolution Planning – Webinar of 23 September 2020

Informal summary and Q&A

On 14 August, the FSB published a [common template](#) for gathering information about continuity of access to financial market infrastructures (FMIs) for firms in resolution. The template takes the form of a questionnaire that all FMIs are encouraged to complete. The responses to the questionnaire should be published or made available to firms that use the FMI services and their resolution authorities in other ways to inform their resolution planning.

On 23 September, the FSB Secretariat, together with representatives of the official sector and industry, organised a virtual outreach meeting to explain the questionnaire to stakeholders and answer their questions

Questions raised by participants in the outreach meeting and the answers given are listed below. If further questions arise on any aspects of the questionnaire, FMIs should engage with their oversight/supervision authorities and the bank resolution authority in their jurisdiction to seek guidance.

Main takeaways of the outreach meeting

The questionnaire follows from a [workshop](#) held in May 2019 with stakeholders about the implementation of the FSB's [Guidance on Continuity of Access to Financial Market Infrastructures \(FMIs\) for a Firm in Resolution](#). The Guidance sets out arrangements and safeguards to facilitate continued access to critical clearing, payment, settlement, custody and other services provided by FMIs in cases where firms need to be resolved.

Official sector representatives introduced the questionnaire and explained that it aims to foster a consistent understanding in the industry around the likely risk management actions FMIs could take in a runway period and in resolution, and the considerations that would inform the FMIs' use of such actions. The use of a common questionnaire should reduce the “many to one” nature of inquiries from FMI participants and authorities to FMIs to inform resolution planning and should streamline the provision of this information from FMIs to firms and authorities. FMIs are encouraged to publish the responses to the questionnaire or make them available in other ways to firms that use the FMI services and their resolution authorities to inform their resolution planning.

The official sector representatives invited FMIs to liaise as necessary with their oversight bodies and supervisors on the questionnaire response and publication process, noting that some FMIs had already begun this engagement process. They expressed the hope that, as per the indicative timeline, FMIs would be able to finalise their questionnaire responses in November and December 2020, and would subsequently submit these to their authorities and FMI participants and publish either the responses themselves or a 'presumptive path' summary.

The FSB member authorities indicated their intention to evaluate the results of this exercise and the need for potential enhancements to the questionnaire and/or the industry engagement process in 2021. They recommended that FMIs update their questionnaire responses going forward, whenever appropriate and at least annually.

Two private sector representatives provided brief comments on the initiative from the FMI and bank perspectives respectively in support of the standardised disclosure effort. They explained that the initiative would benefit not only banks but FMIs as well, compared to the case where the industry relies solely on bilateral engagement. The questionnaire would allow any necessary bilateral engagement to start from a more informed starting point and be more focused on firm-specific issues. The FMI sector representative cautioned that a prescribed approach may not work to address situations not encountered before or across all client segments and that discretion is important in crisis management and in FMIs' disclosure of levels of detailed information to their participants. He also noted that the indicative timeline might be challenging for FMIs.

Questions from participants and answers¹

	Questions	Answers
#	Scope and Timeline	
1	<p>What if there is an FMI that disagrees it should participate? Is this FSB questionnaire a mandatory regulatory obligation for all FMIs in all regions?</p>	<p>The questionnaire was developed to be helpful to both FMIs and their members in meeting jurisdictional requirements that apply to many FMI participants to develop capabilities for continuity of access to FMIs. The questionnaire should help participants meet those requirements and avoid the need for FMIs to have multiple, separate bilateral interactions with their participants on similar questions. While participation in this FSB initiative is voluntary, FMIs are strongly encouraged to prepare answers to the questions. It is in the common interest of all stakeholders (i.e., FMIs, banks and authorities) that the questionnaire be completed and responses are shared. Resolution authorities will work alongside FMI supervisors to encourage completion of questionnaires. Banks may themselves, and/or via industry associations, ask FMIs when and how their questionnaire responses will be shared.</p>
2	<p>How will FMIs not participating to date be made aware and engaged to address this questionnaire?</p>	<p>The FSB would welcome home regulators to encourage FMIs to provide and publish responses. The more uptake, the more useful the responses will be for all participants.</p> <p>FMI Participants are also welcome to encourage FMIs to share information in this format. This will minimize the need for separate bilateral engagement on duplication of questions and queries.</p>
3	<p>What is the scope of FMIs (and intermediaries) that have been approached through this questionnaire? Is it possible to have the list of the targeted FMIs? Or has it been distributed widely?</p>	<p>The questionnaire has been published on the FSB website to encourage participation from all FMIs. The questionnaire is aimed at FMIs, including payment systems, securities settlement systems, central securities depositories, and central counterparties. While the topics covered in this questionnaire could also apply to FMI intermediaries, at this stage they are not in scope. Development of a questionnaire targeted more specifically to FMI intermediaries is under consideration.</p>

¹ The definitions in section 4 of the questionnaire apply also for these Q&As.

Questions	Answers
<p>4 If an FMI has more than one role (e.g. a CCP and a CSD), do you expect two separate responses?</p>	<p>If an FMI has two distinctly different operations with differing rulebooks, it would be helpful to separate responses into different categories. This can be done by distinguishing the responses applicable to these different categories within one questionnaire or by completing two questionnaires. It is also recommended that FMIs solicit input on their questionnaire response approach with the relevant supervisory and resolution authorities.</p>
<p>5 Is there a hard due date?</p>	<p>There is no response deadline but the FSB stresses that responses would be most useful if they would be finalised by early Q4 2020 as banks in some jurisdictions are required to complete their resolution planning information by 31 December. Nevertheless, resolution authorities are mindful that responses should be of sufficient quality, which should not be compromised by what could be interpreted as a demanding timeline.</p>
<p>Contents and Format</p>	
<p>6 How are various regulators going to ensure consistency of response across FMIs in terms of level of detail relative to their complexity?</p>	<p>It is understood that responses may vary in terms of breadth and depth given differences in the nature, size and complexity of FMIs.</p> <p>Authorities have shared and will continue to share guidance through the FSB working group, and are willing to provide support in this regard. In addition, participants may offer input on the granularity and usefulness of information through either bilateral or multilateral discussions. This could serve as input to an FMI's regular review process to update responses.</p>
<p>7 Would the FSB consider an approach where the high-level (numbered) questions are accompanied by guidance that incorporates the relevant factors, rather than requiring point-by-point answers?</p>	<p>The purpose of the questionnaire is to provide information to relevant parties and to inform resolution planning. As long as the overall goal is achieved, it would be acceptable to deviate from the point-by-point format of the questionnaire as long as the responses are providing the information requested in the questionnaire.</p>

Questions	Answers
<p>8 Could you please provide further information on the expectations regarding what is to be published by each FMI, the form of this publication, and whether it will need to be updated regularly?</p> <p>Please elaborate on the expectations regarding “presumptive path” summaries, as an alternative to responses’ disclosure in case of confidentiality issues. In particular, what is the level of granularity of the information expected by the FSB to be addressed in the context of the summary?</p> <p>If the FMI chooses to provide a presumptive path summary, is the FSB encouraging either the disclosure to authorities and, upon request, to the FMI’s participants, or the publication of the summary?</p>	<p>The content and the format of the publication is up to each FMI. The FSB would prefer that FMIs publish their responses in order to make them available to FMI participants and resolution authorities to inform their resolution planning. FMIs are encouraged to review and update their responses annually as well as upon the occurrence of material changes to their rulebooks, procedures or contractual agreements, or other changes.</p> <p>Some FMIs may prefer to not make their full responses available on a public website. Under these circumstances, the FSB encourages FMIs to (1) publish to the general public what may be shared and (2) make the confidential responses available to authorities and to FMI members only. This could be accomplished, for example, through pro-active communication to participants and authorities, on a “members only” area of their website, and/or upon request.</p> <p>If the FMI decides not to make any part of its detailed response available to the general public, then it would be useful that (3) at least a non-binding ‘presumptive path’ summary of its likely reaction to a distressed FMI participant prior, during and after resolution is publicly available. Such a summary however may not always cover all the information that is useful for authorities and FMI participants.</p>
<p>9 As we work through the questionnaire and realise we need more clarity who should we approach for this clarity? Is there a mailbox we can use?</p>	<p>FMIs should engage with their oversight/supervision authority and the bank resolution authority in their jurisdiction to seek guidance on any aspects of the questionnaire.</p>
<p>Publication and Communication</p>	
<p>10 Will the responses to the questionnaires be published by the FSB, or will each FMI be responsible for publishing their response?</p>	<p>Publishing the response is the responsibility of each FMI. Supervisory and resolution authorities will encourage FMIs to do so.</p>
<p>11 How will FMI participants become aware that an FMI has published a response?</p>	<p>The FSB encourages FMIs to make their participants aware of the existence of their responses. Industry associations may also be in a position to collect this information for their members and the broader set of FMI participants if so needed.</p>

Questions		Answers
12	What communication would FMIs expect from either participants or resolution authorities prior to a participant entering resolution?	This question is covered under #22 and #34 of the questionnaire. Responses to these questions are intended to reduce any requirement for further ex ante bilateral engagement between FMIs and participants on this topic.
13	Do FMIs need to share the same level of detailed information with all their members (“one-size-fits-all”)?	Some FMIs may choose not to share the same level of detailed information with all of their members, as some information may not be relevant to all membership categories. Even if a FMI participant has a relatively small volume with the FMI compared to other participants, the participant may still be dependent on continued access (for instance if the participant considers this particular membership as a back-up) in order to remain in a business-as-usual status.
Supervisory Process/Expectation		
14	If FMIs do not have a response to a question or identify a gap in their process that needs remediation to fully address the wider industry needs, what is the proposed approach?	This questionnaire is intended to provide information primarily to FMI participants and is separate from the supervisory process between an FMI and its overseer/supervisor or any internal FMI process, where gaps may be identified and addressed. Should relevant gaps be identified during the questionnaire response process, the FMI is encouraged to discuss them with its supervision/oversight authority.
15	What will be the next steps for participants and FMIs after the responses have been published? Will participants have bilateral SLAs (Service Level Agreements) or similar agreements with individual FMIs?	The questionnaire is not intended to lead to changes to contractual rules or agreements. Nothing in the questionnaire should be read as seeking to modify the FSB Guidance on Continuity of Access to Financial Market Infrastructures (FMIs) for a Firm in Resolution, 2017 (July) or any applicable rules or regulations. Responses of FMIs to the questionnaire should be considered indicative and not as a firm commitment by the FMI to use, or to use in a specific way, any discretion under its rules or contractual framework.

Questions		Answers
16	In most cases, FMIs note the rules for a participant in resolution will be the same as in business-as-usual (BAU) as they monitor risks continuously. What is the supervisory expectation, (e.g. specific requirements for a resolution event)?	<p>The work of the FSB on matters related to bank resolution is without prejudice to the expectations of FMI supervisors/overseers, as discussed in other international fora (such as CPMI-IOSCO) and at the national level.</p> <p>The purpose of the questionnaire is to help build an understanding on how each FMI would apply its rules, trigger escalation ladders, and exercise its discretion vis-à-vis a participant in resolution and thus help participants determine a contingency plan to minimise the likelihood of losing access.</p>
Substance		
17	Re Q7) What is meant by an operating framework? If the FMI clearinghouse rules are clear that an FMI participant in resolution can continue to access the system provided that it meets the obligations as a member, would it suffice?	<p>The intention of the question is to ask whether the FMI's rules make clear explicitly that participants in resolution may continue to use the system (as they are supposed to continue operating post-resolution, as per the relevant legal framework).</p> <p>Some authorities are in the process of preparing information about potential impact on FMIs of resolution action under their national framework. This may helpfully inform FMIs' own expectations of consequences of resolution of one of their participants.</p>
18	Re Q8.c) What is meant by 'forward-looking indicators'?	A forward-looking indicator would be any data point(s) upon which a judgment call may be made as to whether the FMI has any reasonable grounds to believe that a participant will be in default in the (near) future. This is related to the situation where a FMI has the ability within its rulebook to trigger termination for a participant even if the participant has not failed to meet any obligation, has not entered into insolvency proceedings and did not meet any other condition for default.
19	Re Q21&Q33) Can you explain the rationale behind distinguishing idiosyncratic risk and market stress and why it is relevant for continuity of access to the FMI?	This distinction is made in order to understand whether the FMI applies different processes and if so which ones. For example, it could be that the FMI considers the risk or feasibility of specific actions differently under different scenarios. Moreover, the occurrence, magnitude and triggers for the introduction of any heightened requirements could differ, as well as the FMI internal conditions for escalation.
20	Re Part III&IV) What does market stress mean and refer to?	Market stress is a state where one or several risks on the relevant financial markets are perceived (by FMIs, participants or authorities) to be elevated. Such risks are not connected to a specific participant.

	Questions	Answers
21	To what extent is Part V relevant for clearing members? The questions seem aimed at facilitating supervisory assessment of the CCP's readiness.	Even if a firm in resolution is ultimately controlled by the resolution authority, it is the responsibility of the participant to prepare credible plans for continued access and to ensure it can activate them in a resolution scenario.
22	Could you provide additional explanation on specifically targeted questions and answers for different FMIs, especially CCPs and CSDs?	The questionnaire highlights that a few questions are targeting specific FMI types. For example Q 38.
23	What is the relation between this questionnaire and the CSDR (Central Securities Depositories Regulation) expectations of publication of default guidelines? They seem to overlap.	FMIs may cross-refer to other publications where relevant. The questionnaire is intended to ensure that FMI participants develop a good understanding of the actions FMIs would be likely to take prior to, during and after resolution. Though the questionnaire does address termination, it is assumed that resolution would maintain the viability and continuity of the relevant firm.
24	How should a decentralized FMI like TARGET2 approach its reply to the questionnaire?	Each FMI should decide how to best respond to the questions in the questionnaire and may, if approached, discuss this with its participants.