

Stakeholder Outreach on Financial Resources and Tools for Central Counterparty (CCP) Resolution

Virtual meeting, 8 November 2023, 13:00-15:00 CET

Background

In March 2022, the FSB, the 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.¹ 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.

As part of the work, the FSB conducted a 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 (VMGH) 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)² and accompanying guidance on CCP resolution.

On 19 September 2023, the FSB published a consultation report on Financial Resources and Tools for Central Counterparty Resolution.³ The consultation report presents the outcome of the FSB's qualitative analysis and proposes a framework for a global standard for financial resources and tools to support CCP resolution.

Objective of the outreach meeting

The objective of this outreach meeting is to gather preliminary feedback from participants on the proposed toolbox approach for financial resources and tools to support CCP resolution. The meeting is organised in two sessions of discussions among panelists from industry and academia : (i) qualitative analysis of resolution-specific resources and tools, and (ii) proposed toolbox approach for CCP resolution.

Please note that the FSB has invited for comments on the report until 20 November 2023.

¹ FSB, CPMI and IOSCO (2022), *Central Counterparty Financial Resources for Recovery and Resolution*, March.

² FSB (2014), *Key Attributes of Effective Resolution Regimes for Financial Institutions*, October.

³ FSB (2023), *Financial Resources and Tools for Central Counterparty Resolution*, September.

Annotated agenda

1. Introductory remarks (13:00 – 13:10)

John Schindler (FSB Secretary General) will introduce the outreach agenda and objectives.

2. Qualitative analysis of resolution resources and tools (13:10 – 13:50)

Objective: To discuss the (i) scope of analysis; and (ii) results of the qualitative analysis for CCP resolution resources and tools (Sections 2-4 of the consultation report).

María José Gómez Yubero, Co-Chair of FSB Crisis Management Group for Financial Market Infrastructures (fmiCBCM), will provide a short overview of the results of the qualitative analysis.

Moderator: Martin J. Gruenberg, Chair of the FSB Resolution Steering Group (ReSG)

Panelists:

- Teo Floor, CEO, CCP Global
- Doanh Le Ngoc, Senior Director, CCP Risk and Bank Capital, Futures Industry Association
- Rebecca Simmons, Partner, Financial Services & Capital Markets, Sullivan & Cromwell LLP

Issues for discussion:

- Are there other parameters and dimensions that should be considered to support resolution objectives?
- Are there other resolution-specific financial resources or tools that should be considered?
- For each financial resource or tool, have the key costs and benefits been identified? If not, which additional cost/benefit factors should be considered?
- Is the analysis sufficiently clear to demonstrate to jurisdictions how the resolution-specific resources and tools may be combined such that, in aggregate, they meet the parameters and dimensions?

3. Proposed toolbox approach (13:50-14:50)

Objective: To discuss the proposed toolbox approach and its implementation (Section 5 of the consultation report).

Arthur J. Murton, fmiCBCM Co-Chair, will provide a short overview of the proposed toolbox approach.

Moderator: Martin J. Gruenberg, ReSG Chair

Panelists:

- Kevin McClear, President, ICE Clear U.S.
- Marnie Rosenberg, Managing Director, CCP Credit Risk & Strategy, J.P. Morgan
- David Murphy, Visiting Professor in Practice, Law School, London School of Economics and Political Science
- Simon Gleeson, Consultant, Clifford Chance LLP

Issues for discussion:

- Is the toolbox approach an effective means to achieve the parameters for resolution-specific resources and tools, and does it strike the right balance in supporting resolution objectives and providing flexibility to resolution authorities?
- Should the standard be more specific on the approaches to calibrating the quantum of resolution-specific resources and their disclosure?
- Should the standard apply to all systemically important CCPs or just to CCPs that are systemic in more than one jurisdiction (SI>1 CCPs)?

4. Closing remarks (14:50 – 15:00)

The Chair of the FSB Resolution Steering Group, Martin J. Gruenberg, will provide concluding remarks and describe next steps.