Press release

Press enquiries:
+41 76 350 8001

press@bis.org

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Financial Stability Board publishes fifth progress report on implementation of OTC derivatives market reforms

The Financial Stability Board (FSB) published today its fifth six-monthly progress report on the implementation of over-the-counter (OTC) derivatives market reforms. This report takes stock of progress made by standard-setting bodies, national and regional authorities and market participants towards meeting the commitments made by G20 Leaders at the Pittsburgh 2009 Summit that all standardised OTC derivative contracts be traded on exchanges or electronic trading platforms, where appropriate, and cleared through central counterparties (CCPs); that OTC derivative contracts be reported to trade repositories; and that non-centrally cleared contracts be subject to higher capital requirements.

While progress has been made toward meeting the G20 commitments, through international policy development, adoption of legislation and regulation, and expansion of infrastructure, no jurisdiction had fully implemented requirements by end-2012. Less than half of the FSB member jurisdictions currently have legislative and regulatory frameworks in place to implement the G20 commitments and there remains significant scope for increases in trade reporting, central clearing, and exchange and electronic platform trading in global OTC derivatives markets.

FSB member jurisdictions are fully committed to completing the agreed reforms. Progress in meeting the G20 commitments is expected to accelerate over the course of 2013, as jurisdictions finalise legislative and regulatory frameworks and as specific requirements come into force. The FSB urges rapid progress by those jurisdictions that have not yet completed their legislative and regulatory frameworks.

The FSB Chairman has written to all member jurisdictions requesting confirmation that legislation and regulation for reporting to trade repositories are in place, as well as their committed timetables to complete all OTC derivatives reforms. He stressed that the need for prompt action on trade reporting should not in any way diminish the need for rapid completion of reforms in other areas, such as central clearing, capital and margining, and trading on exchanges or electronic platforms.

Jurisdictions will need to resolve a number of outstanding policy issues over the course of this year, including:

- *Uncertainties in the application of requirements in cross-border contexts*. As jurisdictions are moving forward in implementing rules and requirements, some cross-border potential conflicts, inconsistencies, duplication and gaps have emerged. This is not unexpected, given the complexity and novelty of the reforms being undertaken. With practical implementation of rules imminent across a number of jurisdictions, it is imperative that regulators work together to urgently address identified issues. As part of this, jurisdictions should promptly put forward their proposals for regulatory implementation, while preserving a sufficient degree of flexibility to allow for issues to be resolved without unnecessary market disruption.
- *Trade reporting and data access*. Jurisdictions should remove barriers to trade reporting by market participants, with particular attention to removing barriers to reporting of counterparty information and to information access by authorities.
- *Central clearing and incentives*. Jurisdictions relying in the first instance on incentives to drive central clearing of standardised OTC derivatives need to establish clear criteria and monitoring processes for determining how effective these incentives are in achieving the G20 commitment that all standardised derivatives be centrally cleared.
- *Organised platform trading*. Jurisdictions should also make progress on reforms to help move trading onto organised platforms. In the short term, they should enact legislation and regulation that would permit the imposition of trading requirements as appropriate.

Further international work should take place on:

- remaining issues around authorities' access to trade repository data, such as data standards;
- the feasibility of a centralised or other mechanism to produce and share global aggregated data, taking into account legal and technical issues and the aggregated trade repository data that authorities need to fulfil their mandates and to monitor financial stability.

Looking forward, an increased focus will be needed on how effective jurisdictions' reforms have been in meeting the underlying objectives of increasing transparency, mitigating systemic risk and minimising market abuse, as well as risks of regulatory arbitrage that would undermine the effectiveness of reforms. At the global level, the Bank for International Settlements is coordinating a macroeconomic impact assessment of the OTC derivatives regulatory reforms.

The FSB will publish a further progress report ahead of the G20 Leaders Summit in St Petersburg in September 2013. That report will update measures of progress in the use of centralised infrastructure, and will also provide an assessment of the state of readiness of market participants to further migrate to this infrastructure. The FSB will continue to monitor the extent to which the various OTC derivatives reforms meet the G20's underlying goals of improving transparency in the derivatives markets, mitigating systemic risk, and protecting against market abuse.

The FSB welcomes feedback from the public on this report. Feedback should be submitted by 15 May 2013 by e-mail (fsb@bis.org) or post (Secretariat of the Financial Stability Board, c/o Bank for International Settlements, CH-4002, Basel, Switzerland). Feedback will be posted on the FSB website unless respondents request otherwise.

Notes to editors

In October 2010 the FSB published 21 recommendations for implementing the G20 commitments. The first FSB progress report on implementation was published in April 2011, the second FSB progress report in October 2011, the third progress report in June 2012, and the fourth progress report in October 2012.

The FSB has been established to coordinate at the international level the work of national financial authorities and international standard setting bodies and to develop and promote 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 is chaired by Mark Carney, Governor of the Bank of Canada. Its 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.financialstabilityboard.org.