Committee on Payment and Settlement Systems

BANK FOR INTERNATIONAL SETTLEMENTS

OICU-IOSCO

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Publication of a consultative document on public quantitative disclosure standards for central counterparties

The CPSS-IOSCO *Principles for financial market infrastructures* (the *Principles*) state that financial market infrastructures (FMIs) should provide relevant information to participants, relevant authorities and the broader public. As an important component of the set of disclosures that is expected of FMIs as part of satisfying the *Principles,* CPSS and IOSCO are today publishing for public comment a consultative report on *Public quantitative disclosure standards for CCPs*. This complements the *Disclosure framework* also published by CPSS and IOSCO in December 2012.

CPSS and IOSCO request comments on the draft disclosure standards by 13 December 2013. Comments should be sent to both the CPSS secretariat (cpss@bis.org) and the IOSCO secretariat (qdisclosure@iosco.org) and will be published on the websites of the BIS and IOSCO unless commentators have requested otherwise. CPSS and IOSCO will take these comments into account in the preparation and publication of a final list of expected quantitative disclosures. CPSS and IOSCO will also continue work to explore development of a set of public quantitative disclosures for payment systems, CSDs, securities settlement systems and trade repositories.

These quantitative disclosures, together with the *Disclosure framework* also published by CPSS and IOSCO, form the minimum disclosures expected of CCPs under Principle 23, Key Consideration 5, of the *Principles*.

(i) Objectives of the report

The proposed quantitative disclosures set out in this consultative document are intended to support the objectives of enabling stakeholders including authorities, participants (direct, indirect and prospective) and the public, to:

- compare CCP risk controls, including financial condition and financial resources to withstand potential losses;
- have a clear, accurate and full understanding of the risks associated with a CCP (in accordance with Principle 23, Key Consideration 5);
- understand and assess a CCP's systemic importance and its impact on systemic risk in all jurisdictions and currency areas for which it provides services or from which it has material membership or in which there are linked infrastructures;
- understand and assess the risks of participating in CCPs (directly, and, to the extent relevant, indirectly).

Principle 23 of the CPSS-IOSCO *Principles for financial market infrastructures* (the *Principles*), published in April 2012, states that FMIs should, at a minimum, disclose "basic

data" on transaction volumes and values. Principle 23 also states that FMIs should disclose data on their financial condition, their financial resources to withstand potential losses, the timeliness of settlements, and other performance statistics. They should disclose sufficient information for participants and prospective participants to understand fully the risks of participating in the system. This disclosure is expected to be to the public rather than restricted to participants or members.

The draft list of quantitative disclosures set out in this consultation document proposes a common set of such "basic data" on transaction volumes and values, and gives detail on a common minimum set of quantitative information on CCP financial condition, financial resources and performance.

The quantitative disclosures should be seen and interpreted as a part of the overall disclosures made by the CCP as part of satisfying Principle 23 and the CPSS-IOSCO *Disclosure framework*. Given the differences between the markets and products cleared by CCPs, and differences in CCP structure, it will likely, however, be important for CCPs to complement the proposed minimum quantitative disclosures set out in this consultation paper with appropriate notes, and links to other qualitative disclosures, so that recipients can understand the data correctly.

In the context of understanding and assessing the risks of participating in CCPs, the objective of CPSS-IOSCO is not to provide policy guidance on a set of information that is sufficient for counterparty due diligence reviews, notwithstanding that the proposed metrics would be supportive of such reviews. To complete such due diligence reviews, CCP participants may have legitimate requirements for additional information from CCPs.

In preparing these proposed quantitative disclosures CPSS and IOSCO have had regard to comments received on the *Disclosure framework* during the consultation period for that document, and to comparability with data already collected and collated by the BIS for *Red Book* statistics.[1]

CPSS and IOSCO have also had regard to not imposing unreasonable or disproportionate additional burden on CCPs, and have therefore endeavoured to focus on data that, to our understanding, most or all CCPs would anyway collect and maintain as part of day-to-day business and risk management. The common minimum set is almost all anonymised and aggregated data, so that it is intended to avoid revealing sensitive information about the positions of individual CCP participants.

(ii) Structure of the report

The document contains a list of quantitative data that CCPs should publicly disclose, accompanied by some explanatory notes.

[1] See: http://www.bis.org/list/cpss/tid_57/index.htm

(iii) Frequency and type of disclosure

To serve their purpose in allowing evaluation and comparison of CCPs, most of these quantitative disclosures will need to be updated more frequently than the *Disclosure framework* (which should be updated on at least a biennial basis). The draft list makes some initial suggestions on minimum frequency of disclosure.

CPSS and IOSCO envisage that CCPs will use a common template to complete their disclosures. This will help to enable all CCPs to disclose comprehensive and objective information in a similar structure, to facilitate comparability across CCPs. In some cases specific features of a CCP's operations or business model will mean that some of the listed quantitative data are not relevant, or, more rarely, that data would be relevant but are not available. Where data are relevant to the particular type of FMI, but are not available, CCPs should explain the reasons for this in their disclosure. CCPs are also encouraged to add explanatory notes where this will increase the usefulness and comparability of the data.

(iv) Request for comments on the report

CPSS and IOSCO seek general comment on the content of the quantitative disclosures. In particular, CPSS and IOSCO would welcome feedback on the following questions.

- Are there additional quantitative data that are not included but are, in the respondent's view, necessary to allow risks associated with CCPs and the systemic importance of CCPs to be understood, assessed and compared? If so, what additional data should be disclosed, and why?
- Are there alternative quantitative or qualitative data, or more effective ways of presenting these or alternative data, that would better meet the objectives of fully, clearly and accurately understanding CCP risks and systemic importance, and comparing CCP risk controls, financial condition and resources to withstand potential losses, given the different markets and products cleared by CCPs, and differences in their structure? Are there data items included that are not, in the respondents' view, necessary to achieve these goals and, if so, why are these not necessary?
- Would any of this data be materially commercially prejudicial to CCP participants, linked FMIs or other relevant stakeholders and why is this the case?
- Would disclosure of any of this data result in material additional burden to the CCP, and why (for example, because the data are not routinely available to the CCP in the normal course of its business and risk management)? If so, what analogous information could be disclosed in a meaningful way that would achieve similar goals while minimising this burden?
- Would disclosure of any of this data be inconsistent with local law or any legal or regulatory limitations on public disclosure? If so, what analogous information could be disclosed in a meaningful way that would achieve similar goals while avoiding such inconsistency?

- Do the suggested frequencies for disclosing data strike an appropriate balance between up to date information and reporting burden? What is an appropriate reporting lag?
- (For CCP respondents) which of these data elements do you already publicly disclose? To what extent is that data maintained consistent with the quality controls called for in the template?
- What is the appropriate structure for presenting the quantitative disclosures so that comparability is facilitated? Once reporting has begun, should previous reports remain available to allow trends over time to be examined?

CPSS and IOSCO also welcome feedback on other specific questions that have been included in the report against particular disclosure items.