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International Organization of Securities Commissions
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MADRID, 28 January 2015

IOSCO publishes final report on risk mitigation standards for non-centrally cleared OTC derivatives

The International Organization of Securities Commissions today published the final report [*Risk Mitigation Standards for Non-centrally Cleared OTC Derivatives*](#), which sets out nine standards aimed at mitigating the risks in the non-centrally cleared OTC derivatives markets.

The global financial crisis highlighted how the inter-connectedness across financial institutions engaged in trading OTC derivatives led to contagion and heightened systemic risk. One of the key components of the G20 reform programme has been to encourage the central clearing of standardised OTC derivatives. However, a substantial proportion of OTC derivatives are not standardised and hence not suitable for central clearing. To reduce counterparty credit risk and limit contagion, IOSCO and the Basel Committee on Banking Supervision (BCBS) had in 2013 published a framework which establishes minimum standards on margin requirements for non-centrally cleared OTC derivatives.

This set of risk mitigation standards, which are developed in consultation with the BCBS and the Committee on Payments and Market Infrastructures, will further strengthen the non-centrally cleared OTC derivatives market. The standards encourage the adoption of sound risk mitigation techniques to promote legal certainty over the terms of the non-centrally cleared OTC derivatives transactions, to foster effective management of counterparty credit risk and to facilitate timely resolution of disputes.

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The risk mitigation standards cover the following key areas:

- Trading relationship documentation and trade confirmation
- Process and/or methodology for determining valuation
- Portfolio reconciliation
- Portfolio compression
- Dispute resolution

IOSCO would like to thank all respondents who provided valuable comments on the consultation report issued in September 2014. These comments have been taken into account in the preparation of the final report.

Lee Boon Ngiap, Chair of the IOSCO Working Group on Risk Mitigation Standards for Non-centrally Cleared Derivatives, and Assistant Managing Director of the Monetary Authority of Singapore, said: *“The risk mitigation standards, along with the margin requirements, will help market participants better manage risks in transacting in non-centrally cleared OTC derivatives and improve the resilience of the non-centrally cleared OTC derivatives market.”*

The report’s [comment letters](#) and [feedback statement](#) also were published today.

NOTES TO THE EDITORS

1. IOSCO is the leading international policy forum for securities regulators and is recognized as the global standard setter for securities regulation. The organization's membership regulates more than 95% of the world's securities markets in more than 115 jurisdictions and it continues to expand.
2. The IOSCO Board is the governing and standard-setting body of the International Organization of Securities Commissions (IOSCO). The Board is made up of 34 securities regulators. Mr Greg Medcraft, chairman of the Australian Securities and Investments

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Commission, is the chair of the IOSCO Board. The members of the IOSCO Board are the securities regulatory authorities of Australia, Belgium, Brazil, China, Egypt, France, Germany, Greece, Hong Kong, India, Italy, Japan, Kenya, Korea, Malaysia, Mexico, the Netherlands, Nigeria, Ontario, Pakistan, Peru, Quebec, Saudi Arabia, Singapore, South Africa, Spain, Sweden, Switzerland, Thailand, Trinidad and Tobago, Turkey, United Kingdom and the United States.

3. The Growth and Emerging Markets Committee is the largest Committee within IOSCO, representing 75 per cent of the IOSCO membership. Mr. Ranjit Ajit Singh, Chairman, Securities Commission, Malaysia, and Vice Chair of the IOSCO Board, is the Chair of the GEM. The Committee endeavors to promote the development and greater efficiency of emerging securities and futures markets by establishing principles and minimum standards, providing training programs and technical assistance for members and facilitating the exchange of information and transfer of technology and expertise.
4. IOSCO aims through its permanent structures:
 - to cooperate in developing, implementing and promoting adherence to internationally recognized and consistent standards of regulation, oversight and enforcement in order to protect investors, maintain fair, efficient and transparent markets, and seek to address systemic risks;
 - to enhance investor protection and promote investor confidence in the integrity of securities markets, through strengthened information exchange and cooperation in enforcement against misconduct and in supervision of markets and market intermediaries; and
 - to exchange information at both global and regional levels on their respective experiences in order to assist the development of markets, strengthen market infrastructure and implement appropriate regulation.

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