

MEDIA RELEASE



International Organization of Securities Commissions
Organisation internationale des commissions de valeurs
Organização Internacional das Comissões de Valores
Organización Internacional de Comisiones de Valores
المنظمة الدولية لهيئات الأوراق المالية

IOSCO/MR/03/2024

Madrid, 26 January 2024

IOSCO seeks feedback on Post Trade Risk Reduction Services

The Board of the International Organization of Securities Commissions (IOSCO) today published a consultation report on *Post Trade Risk Reduction Services (PTRRS)*, which identifies potential policy considerations and risks associated with the use and offering of PTRRS associated with over-the-counter (OTC) derivatives trades, and presents sound practices as guidance to IOSCO members and regulated users of PTRRS.

IOSCO is seeking to better assess the risks associated with the increased use of PTRRS and concentration of PTRRS providers, particularly in the areas of portfolio compression and counterparty risk optimisation.

The Consultation Report notes that PTRRS offer important benefits, including post-trade operational efficiencies, reduction in counterparty risk and, potentially, an overall reduction in systemic risk.

However, PTRRS may pose a number of challenges and risks. For instance, risks relating to market concentration of service providers, a lack of transparency regarding the algorithms used by providers, and a lack of meaningful due diligence by users of PTRRS. Further, while PTRRS are widely used in many jurisdictions, there is limited data received by regulatory authorities, in addition to either limited or no direct regulatory oversight of PTRRS.

Kevin Fine, Chair of IOSCO's Committee on Derivatives (Committee 7) said *"PTRRS play an increasingly significant role in the efficient functioning of OTC derivatives markets. It is important that IOSCO understands both the benefits and the evolving risks associated with the use of PTRRS, the challenges that market participants face in using such services, and whether there are ways to improve market practices."*

IOSCO is seeking input from market participants on the discussion question in the report as well as the proposed sound practices. Comments on the consultation report should be sent to consultation-01-2024@iosco.org on or before 1 April 2024.

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 some 130 jurisdictions.
2. The IOSCO Board is the governing and standard-setting body of IOSCO and is made up of 35 securities regulators. Mr. Jean-Paul Servais, Chairman of the Belgium's Financial Services and Markets Authority (FSMA) is the Chair of the IOSCO Board. The members of the IOSCO Board are the securities regulatory authorities of Australia, Bahamas, Bangladesh, Belgium, Brazil, China, Egypt, France, Germany, Greece, Hong Kong, India, Ireland, Italy, Japan, Korea, Kuwait, Malaysia, Mauritius, Mexico, Morocco, the Netherlands, Oman, Ontario, Peru, Quebec, Saudi Arabia, Singapore, Spain, Sweden, Switzerland, Türkiye, the United Kingdom and the United States of America (both the U.S. Commodity Futures Trading Commission and the U.S. Securities and Exchange Commission). The Chair of the European Securities and Markets Authority and the Chair of IOSCO's Affiliate Members Consultative Committee are also observers.
3. The Growth and Emerging Markets (GEM) Committee is the largest committee within IOSCO, representing more than 75% per cent of the IOSCO membership, including 10 of the G20 members. Dr Mohamed Farid Saleh, Executive Chairman of the Financial Regulatory Authority, Egypt is Chair of the GEM Committee. The committee brings members from growth and emerging markets together and communicates members' views and facilitates their contribution across IOSCO and at other global regulatory discussions. The GEM Committee's strategic priorities are focused, amongst others, on risks and vulnerabilities assessments, policy and development work affecting emerging markets, and regulatory capacity building.
4. IOSCO aims through its permanent structures:
 - to cooperate in developing, implementing and promoting internationally recognized and consistent standards of regulation, oversight and enforcement 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 to assist the development of markets, strengthen market infrastructure and implement appropriate regulation.

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MEDIA ENQUIRIES

Suzan Tether

Telephone:

Email:

Website:

Follow IOSCO on [Twitter here](#)

+ 34 697 449 639

s.tether@iosco.org

www.iosco.org