

MEDIA RELEASE



International Organization of Securities Commissions
Organisation internationale des commissions de valeurs
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COMMITTEE ON PAYMENT AND SETTLEMENT SYSTEMS



BANK FOR INTERNATIONAL SETTLEMENTS

IOSCO/MR/15/2009

Madrid, 20 July 2009

CPSS-IOSCO working group on the review of the recommendations for central counterparties

The Committee on Payment and Settlement Systems (CPSS) and the Technical Committee of the International Organization of Securities Commissions (IOSCO) have set up a working group to review the application of the 2004 CPSS-IOSCO *Recommendations for Central Counterparties* to clearing arrangements for over-the-counter (OTC) derivatives. The recommendations, which were developed by the CPSS and the IOSCO Technical Committee, set out standards for risk management of a central counterparty.

In recent years, there have been coordinated efforts by the public and private sector to improve bilateral clearing and settlement arrangements for OTC derivatives transactions. More recently, several existing, newly established, and proposed central counterparties (CCPs) have sought to provide central clearing and settlement services for OTC credit default swap (CDS) transactions, interest rate swaps, and other asset classes of OTC derivatives.

The CPSS and IOSCO believe that the expansion of centralized clearing and settlement is a positive development because, if well designed, CCPs can reduce systemic risk in financial markets. Accordingly, the relevant authorities for CCPs for OTC derivatives seek to ensure that each CCP meets the risk management standards set forth in the recommendations. However, applying the recommendations in practice can involve a significant degree of interpretation and judgment.

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To promote consistent interpretation, understanding and application of the recommendations across CCPs for OTC derivatives, the working group has been formed to discuss key issues that can arise when CCPs, including the new CDS CCPs, provide central clearing services for OTC derivatives. Where necessary, the working group will propose guidance on how CCPs for OTC derivatives may meet the standards set out by the recommendations and will identify any areas in which the recommendations might be strengthened or expanded to better address risks associated with the central clearing of OTC derivatives.

Participants in the working group include representatives of the central banks that are members of the CPSS, representatives of the securities regulators that are members of the IOSCO Technical Committee, and representatives of the International Monetary Fund and the World Bank.

The working group will coordinate with other regulatory authorities and communicate with the industry, as appropriate, as the work moves forward.

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NOTES FOR EDITORS

1. The CPSS serves as a forum for central banks to monitor and analyze developments in payment and settlement arrangements as well as in cross-border and multicurrency settlement schemes. The chairman of the CPSS is William C Dudley, President of the Federal Reserve Bank of New York. The CPSS secretariat is hosted by the BIS. More information about the CPSS, and all its publications, can be found on the BIS website at www.bis.org/cpss.
2. IOSCO is recognized as the leading international policy forum for securities regulators. The organization's membership regulates more than 95% of the world's securities markets in over 100 jurisdictions, and its membership is steadily growing.
3. The Technical Committee, a specialised working group established by IOSCO's Executive Committee, is made up of 18 agencies that regulate some of the world's larger, more developed and internationalized markets. Its objective is to review major regulatory issues related to international securities and futures transactions and to coordinate practical responses to these concerns. Ms Kathleen Casey, a Commissioner of the US Securities and Exchange Commission, is the Chairman of the Technical Committee. The members of the Technical Committee are Australia, Brazil, China, France, Germany, Hong Kong SAR, India, Italy, Japan, Mexico, the Netherlands, Ontario, Quebec, Spain, Switzerland, the United Kingdom and the United States.
4. The working group is co-chaired by Daniela Russo at the European Central Bank, and Jeffrey Mooney at the US Securities and Exchange Commission.

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