



Press release

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Despite ongoing progress, some central counterparties still lag on risk management and recovery planning

The Committee on Payments and Market Infrastructures ([CPMI](#)) and the International Organization of Securities Commissions ([IOSCO](#)) today published a report, entitled [Implementation monitoring of PFMI: follow-up Level 3 assessment of CCPs' recovery planning, coverage of financial resources and liquidity stress testing](#), assessing the progress made by central counterparties (CCPs) in addressing the most serious issues of concern that were identified in an [initial Level 3 report published in 2016](#).

Overall, while the report found that participating CCPs have made progress in implementing arrangements consistent with the key international standards on financial risk management and recovery practices (the Principles for financial market infrastructures or PFMI), some CCPs are still failing to implement a number of measures in the areas of risk management and recovery planning. The failure of these CCPs to implement practices constitutes, in certain instances, serious issues of concern and warrants immediate attention. The CPMI and IOSCO encourage the relevant CCPs to take action as a matter of priority.

While 10 derivatives CCPs were surveyed in the initial assessment in 2016, the follow-up assessment report has expanded the sample to 19 globally active and regionally focused CCPs spanning 17 jurisdictions and providing clearing services to a broader range of product classes, such as repo, bonds and equities, in addition to derivatives.

The CPMI and IOSCO reiterate the importance of developing comprehensive and effective recovery plans, consistent with standards in the PFMI and informed by associated guidance in the [revised Recovery Report](#). To that end, if a CCP has not fully implemented a comprehensive and effective recovery plan, it is a serious issue of concern that should be addressed with the highest priority. The CPMI and IOSCO also reiterate that, according to the PFMI, an FMI should maintain sufficient liquid resources in a wide range of potential stress scenarios. The fact that, following the publication of the initial Level 3 report, some CCPs continue to lack sufficient liquidity-specific scenarios is a serious issue of concern that the relevant CCPs should address with the highest priority.

The CPMI and IOSCO will continue monitoring the implementation of the PFMI.



Notes:

1. The Committee on Payments and Market Infrastructures (CPMI) promotes the safety and efficiency of payment, clearing, settlement and related arrangements, thereby supporting financial stability and the wider economy. The CPMI secretariat is hosted by the BIS. More information about the CPMI, and all its publications, can be found on the BIS website at <http://www.bis.org/cpmi>.
2. 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. See www.iosco.org.
3. Both the CPMI and IOSCO are recognised as international standard-setting bodies by the Financial Stability Board (www.financialstabilityboard.org).
4. The FSB established a coordination framework in October 2011 for monitoring and reporting on the implementation of G20 financial reforms. The framework envisages, inter alia, standard-setting bodies taking on the responsibility for monitoring and reporting on national implementation progress in their respective areas.
5. The April 2012 CPSS-IOSCO *Principles for financial market infrastructures* can be found on the websites of the BIS at www.bis.org/publ/cpss101.htm and IOSCO at www.iosco.org/library/pubdocs/pdf/IOSCOPD377-PFMI.pdf.
6. Full, timely and consistent implementation of the PFMI is fundamental to ensuring the safety, soundness and efficiency of FMIs and for supporting the resilience of the global financial system. In addition, the PFMI play an important part in the G20's mandate that all over-the-counter (OTC) derivatives should be reported to trade repositories and all standardised OTC derivatives be centrally cleared. Global central clearing requirements reinforce the importance of strong safeguards and consistent oversight of central counterparties for derivatives in particular. CPMI and IOSCO members are committed to adopting the Principles and Responsibilities contained in the PFMI in line with the expectations of the G20 and the FSB.
7. The CPMI and IOSCO are monitoring PFMI implementation according to a three-level framework: a Level 1 assessment of the status of the implementation process; a Level 2 assessment of the completeness of the implemented framework and its consistency with the PFMI; and a Level 3 assessment of the consistency in outcomes of such frameworks. Further details on the CPMI-IOSCO implementation monitoring of the PFMI, including a list of published Level 1, Level 2 and Level 3 reports, are available [here](#).