

## Press release

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### FSB, CPMI and IOSCO analysis highlights need to continue work on CCP financial resources

The Financial Stability Board (FSB), the Committee on Payments and Market Infrastructures (CPMI) of the Bank for International Settlements and the International Organization of Securities Commissions (IOSCO) have today published a [report](#) analysing existing financial resources and tools for central counterparty (CCP) recovery and resolution, which confirmed the need for further work on CCP financial resources.

In [November 2020](#), the Chairs of the FSB, CPMI, IOSCO and of the FSB's Resolution Steering Group publicly committed to collaborate on and conduct further work on CCP financial resources in recovery and resolution. This report presents the results of the evidence gathering and analysis on existing financial resources and tools for CCP recovery and resolution carried out in 2021.

A first part of the analysis assessed the current use, composition and amount of financial resources and tools available to cover CCP losses in a sample of CCPs that are considered systemically important in more than one jurisdiction. The analysis was based on default and non-default loss scenarios potentially extreme enough to require the use of recovery and resolution tools. For default losses, all the CCP service lines were able to absorb all losses. To do so, about half of the 15 CCP service lines had to use recovery tools, but none needed resolution. For non-default losses, a cyber theft scenario was considered, and resolution authorities would have needed to trigger resolution for the majority of CCPs to generate sufficient resources to cover the loss. In another non-default scenario, liquid resources and liquidity arrangements of one CCP were not sufficient.

A second part of the analysis assessed the potential financial stability implications from the use of the financial resources and tools covered by the existing [CPMI-IOSCO guidance on recovery of financial market infrastructures](#) and [FSB guidance on CCP resolution](#). Based on a quantitative analysis, the use of cash calls and variation margin gains haircutting had a limited impact on bank clearing members' liquidity and solvency. A qualitative review concluded that different recovery and resolution tools could have varying consequences in terms of knock-on

effects on the wider financial system, performance risk, and impact on market and public confidence in CCPs.

The analysis was subject to a number of limitations and assumptions that suggest the results should be interpreted cautiously. In particular, the system-wide, aggregate effects could not be considered due to data availability and confidentiality constraints.

The FSB has agreed to continue to:

- Review the sufficiency of the existing toolkit for CCP resolution, focusing in particular on non-default loss scenarios. Further work will consider the need for, and costs and benefits of, potential alternative financial resources and tools for CCP resolution. This further work, to be undertaken in cooperation with CPMI-IOSCO, will be initiated in Q2 2022.
- Monitor whether resolution authorities have access to an adequate set of resolution tools. This will be undertaken through continued efforts to conduct and enhance implementation monitoring of the FSB guidance on CCP resolution.

In addition, CPMI-IOSCO are currently analysing CCP non-default losses in resilience and recovery and will continue monitoring the implementation of the Principles for Financial Market Infrastructures (PFMI), including CCP financial resources and tools for resilience and recovery.

The FSB welcomes stakeholder views as input in the further work on the sufficiency of the existing toolkit for CCP resolution, in particular on non-default loss scenarios, and the need for, and costs and benefits (including effectiveness and impact on incentives) of potential alternative financial resources and tools for CCP resolution. Comments should be sent to [fsb@fsb.org](mailto:fsb@fsb.org) by 29 April 2022 with the subject line “CCP resolution”. All comments will be published on the FSB website unless requested otherwise.

## Notes to editors

IOSCO is the leading international policy forum for securities regulators and is recognized as the global standard setter for securities regulation. The organisation's membership regulates more than 95% of the world's securities markets in some 130 jurisdictions, and it continues to expand.

The IOSCO Board is the governing and standard-setting body of IOSCO and is made up of 34 securities regulators. Mr. Ashley Alder, the Chief Executive Officer of the Securities and Futures Commission of Hong Kong, is the Chair of the IOSCO Board.

For further information, see <https://www.iosco.org/>.