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IOSCO publishes its Final Report on Post Trade Risk Reduction Services: Sound Practices for Consideration

IOSCO today published its [Final Report on Post Trade Risk Reduction Services: Sound Practices for Consideration](#).

IOSCO continues to follow the evolution of Post Trade Risk Reduction Services (PTRRS). While PTRRS provide certain clear benefits, such as the reduction of risk and improved efficiency, the offering and increased use of PTRRS may also present challenges for over-the-counter (OTC) market participants. These include risks relating to control and governance around algorithms, fair treatment of participants, data protection, legal certainty, and operational resilience.

The Final Report on Post Trade Risk Reduction Services highlights potential policy considerations and risks associated with using and offering of PTRRS and presents seven sound practices in this area as guidance to IOSCO members and regulated users of PTRRS.

The seven sound practices cover the following areas:

- Transparency, governance, comprehensibility and fairness of the algorithm;
- Operational risk;
- Data integrity and security and regulatory data;
- Legal certainty;
- Considerations of potential counterparty risk by IOSCO members and PTRRS users;
- Market concentration and competition;
- Standardization and predictability of runs and file formats.

The sound practices are designed to improve and complement existing market practices.

The Final Report reflects the results of the public consultation launched on 26 January 2024* which received valuable feedback from stakeholders.

Kevin Fine, Chair of the IOSCO Committee on Derivatives (Committee 7), said: *“The use of PTRRS continue to grow, as market participants try to improve the efficiency in the way they use OTC derivatives. These Good Practices are a set of important tools which will help mitigate the potential risks identified in our analysis.”*

Notes to Editors

1. IOSCO is the leading international policy forum for securities regulators and the global standard setter for financial markets regulation. It develops, implements and promotes adherence to internationally recognized standards for financial markets regulation and works closely with other international organizations on the global regulatory reform agenda.
2. The organization's membership regulates more than 95% of the world's securities markets in some 130 jurisdictions. By providing high quality technical assistance, education and training, IOSCO supports its members to come together to achieve the following three objectives.
 - Enhance investor protection;
 - Ensure markets are fair and efficient;
 - Promote financial stability by reducing systemic risk.
3. The IOSCO Board is the governing and standard-setting body of IOSCO and is made up of 35 securities regulators. Mr. Jean-Paul Servais, the Chair of Belgium's Financial Services and Markets Authority (FSMA) is the Chair of the IOSCO Board. Shigeru Ariizumi, Vice Minister for International Affairs, Financial Services Agency, Japan, Dr Mohamed Farid Saleh, Executive Chairman of the Financial Regulatory

Authority, Egypt, and Rostin Behnam, Chair of the U.S. Commodity Futures Trading Commission, are the Vice-Chairs of IOSCO Board. IOSCO is the leading international policy forum for securities regulators and the global standard setter for financial markets regulation. The organization's membership regulates more than 95% of the world's securities markets in some 130 jurisdictions, and it continues to expand.

4. The Growth and Emerging Markets (GEM) Committee is the largest Committee within IOSCO, representing more than 75% of the IOSCO membership, including ten of the G20 members. Dr Mohamed Farid Saleh, Executive Chairman of the Financial Regulatory Authority, Egypt, is Chair of the GEM Committee. The Committee unites members from 4 growth and emerging markets and communicates their views at other global regulatory discussions.

5. IOSCO counts four regional committees: (1) Africa / Middle-East (AMERC) chaired by Ms. Nezha Hayat Chairperson and CEO of the Moroccan Autorité Marocaine du Marché des Capitaux, (2) Asia & Pacific (APRC) chaired by Ms. Julia Leung Chief Executive Officer of the Hong-Kong Securities and Futures Commission, (3) European Regional Committee (ERC) chaired by Mr. Jean-Paul Servais Chairman of Belgium's Financial Services and Markets Authority, and (4) Inter-American Regional Committee (IARC) chaired by Ms. Lucia Buenrostro Vice President of Regulatory Policy at the Mexican Comisión Nacional Bancaria y de Valores.

6. On 26 January 2024, IOSCO issued a public consultation seeking feedback on post trade risk reduction services.

<https://www.iosco.org/news/pdf/IOSCONEWS724.pdf>

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