

Resolution of CCPs Presentation to the Frankfurt Quadrilateral Conference



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Origins of CCP resolution, recent activity

Need for FMI (including CCP) resolution

G20 mandate to centralise clearing of standardised OTC derivatives

“Supersystemic” importance of CCPs

Risk standards for CCPs

CPSS (now CPMI)-IOSCO Principles for financial market infrastructures (PFMI)

Restated FSB Key Attributes of Effective Resolution Regimes for Financial institutions, October 2014

Differences between bank resolution and CCP resolution

CCPs: Matched books, liquid products, standardised agreements, bank risk

Mandatory use

Critical functions

Transfer options /substitutes

Balance sheet structure

Contractual position/membership structure

Recovery of CCPs and the tipping point to resolution

Variations of approach – by CCP, products, markets

Types of loss: member default, others (including investment policy, operational issues)

Options for recovery: assessment rights, variation margin haircutting, contract termination

Recovery to resolution –

1. Recovery plan/loss allocation either (a) has failed to provide viability, or (b) is not implemented in a timely manner, or
2. Resolution authority determines that recovery measures not reasonably likely to return the FMI to viability or might otherwise compromise financial stability.

Responsibilities/roles

Current issues

Stress testing – consistency/transparency

Continuity of services and functions

Intervention/timing

Rules

Interaction with bank resolution legal recognition work

Loss absorbing capital for FMIs

Next steps

European legislative proposal on CCP Resolution

Policy decisions – guidance moving to regulation

Regulatory co-operation

Agreement on goals