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RE: Financial Stability Board Discussion Note – Essential Aspects of CCP Resolution Planning

Dear Sir/ Madam,

Deutsche Bank welcomes the opportunity to provide comments in response to the above discussion note. We strongly support the Financial Stability Board (FSB) in its efforts to ensure that central counterparties (CCPs) are subject to adequate and effective resolution plans across jurisdictions. In this respect, further international guidance regarding the use of specific tools and strategies by resolution authorities is timely. Such plans will allow clearing members such as Deutsche Bank to appropriately plan for and manage risks.

The FSB has identified the most relevant aspects of CCP resolution in this discussion note. We strongly believe that the maintenance of financial stability should be the primary goal of CCP resolution plans, and should inform decisions made in the development of those plans and in a resolution event. It is particularly important to apply financial stability criteria to the definition of a CCP's "critical functions" to ensure that different default scenarios are managed – and resourced – appropriately.

In addition, Deutsche Bank's view is that:

- Resolution plans should be made transparent to CCP members on an *ex ante* basis. It is prudent for resolution authorities to retain a degree of flexibility in their approaches to CCP resolution scenarios, however, clearing members should know: which resolution tools will be applied; the conditions under which specific tools will be used; the order in which those tools will be deployed; and the types of conditions that could result in resolution authorities deviating from the prescribed use of certain tools and sequences.
- Haircuts to variation margin gains are appropriate for loss allocation purposes and partial tear-ups may be used to return to a matched book. However, it is important that the use of these tools is subject to clear parameters so that clearing members do not have unlimited exposures to CCPs.



- Additional pre-funding for use in the extreme event of a CCP resolution would be an additional cost appended to the provision of clearing services that would likely outweigh the benefits. CCPs may need to pre-fund additional resources for use in a resolution scenario that is caused by non-default losses; the beneficial owners of CCPs should bear non-default losses to avoid moral hazard.
- In addition to identifying the obligations of clearing members and other CCP participants in a resolution scenario, it would be beneficial for CCP resolution plans to further specify the treatment of creditors that are liquidity providers, including how they will be treated under different resolution scenarios (i.e., default and non-default losses).

We hope that our comments are helpful and would be pleased to provide any additional information.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'MH' with a horizontal line underneath.

Matt Holmes

Global Head of Regulatory Policy



Q1. *Does this discussion note identify the relevant aspects of CCP resolution that are core to the design of effective resolution strategies? What other aspects, if any should authorities address?*

The overarching goal of resolution must be the maintenance of financial stability. It is therefore important that authorities clearly define what are considered to be a CCP's "critical functions" – per 1.2(iv) in the discussion note – and demarcate which services meet that definition.

It will be costly to replenish a CCP's resources to keep critical functions operating in a resolution scenario. Furthermore, these costs will be borne by market participants in an already-stressed market, worsening the risk of contagion. For this reason, the decision to pursue replenishment must be made with due consideration for the potential impact on broader financial stability. In this respect – and with specific reference to 1.2(iii) in the discussion note – it is important that market participants have clarity as soon as possible in the resolution process, and preferably on an *ex ante* basis, regarding why the replenishment of the CCP's resources is a necessary measure, rather than the pursuit of alternative solutions. To avoid contagion, market participants' financial obligations must be predictable and manageable in a resolution scenario; as a result, any recourse to replenishment should be justified by the broader implications for financial stability, i.e., because the service that is being replenished is critical in nature. Plans for CCP resolution should specify what the intent of resolution is at a granular level, in particular whether resources dedicated to particular services or activities are being replenished so that certain critical functions can continue while others are being wound down.

Moreover, in identifying these critical functions for the purposes of resolution planning, authorities should carefully analyse the impact of partial resolution (of certain critical functions and supporting services only) on participants' cross-margining or netting arrangements, as disruptions to existing margin requirements or netting sets could cause further financial instability. Finally, any recourse to alternative venues must be weighed against the viability and practicality of those venues undertaking the same volumes as the CCP that is (partly or in whole) in resolution.

Incentive effects of resolution strategies

Q2. *What is the impact on incentives of the different aspects of resolution outlined in this note for CCP stakeholders to support recovery and resolution processes and participate in central clearing in general? Are there other potential effects that have not been considered?*

Clearing members are bound by the contractual terms of their membership to provide financial support to CCPs on the terms detailed in those contracts. To the extent that the obligations and possible resource demands on clearing members are known *ex ante* and are transparent, the potential for those resource demands incentivises robust risk management on the part of clearing members. Any amendments to the terms of participation in a CCP must be made in concert with members and must be transparent in the rulebook, which enables participants to undertake appropriate risk modelling and planning efforts. Amendments that result in higher costs related to intermediation in the cleared markets – for instance, additional assessment rights or requirements for additional pre-funded resources from clearing members – are likely to further disincentivise the provision of clearing services and could result in greater concentration of clearing members.



The beneficial owners of a for-profit CCP should be required to dedicate their full available resources to supporting the solvency of the CCP once the default waterfall structure has been exhausted: such a “bail-in” of the CCP’s beneficial owners provides the right governance and risk management incentives. It is also in line with the FSB Key Attributes’ emphasis on the importance of shareholders and unsecured and uninsured creditors absorbing losses before these are imposed on the wider financial system. In the specific context of planning for non-default losses, it is important to ensure that a CCP contributes sufficient dedicated resources, including a significant (and possibly additional) amount of its own skin in the game. If the CCP is permitted to set aside only a relatively small amount of capital and can expect to allocate losses to its clearing members in the event of a non-default loss, this creates a moral hazard as it disincentivises the CCP from giving due attention to its risk management processes. Clearing members should not bear losses in a resolution scenario resulting from non-default losses.

Timing of entry into resolution

Q3. *What are the appropriate factors for determining timing of entry into resolution? How might a presumptive timing of entry (or range of timing), if any, be defined in light of the criteria set out in the FMI Annex to the Key Attributes? If defined, should the presumptive timing of entry be communicated to the CCP and its participants?*

An appropriate timing of entry for the resolution authority is the point at which it is determined that financial stability is at risk. The criteria for such a trigger should be defined and communicated to the market as precisely as possible *ex ante*, and it should include the following indicators: critical functions are at risk; the CCP’s resources are materially depleted; its recovery protocols are at clear risk of failing; and there is no prospect of a private-sector led alternative. It may in certain circumstances be necessary for resolution proceedings to begin before a CCP’s waterfall is depleted, if it becomes clear that any effort to continue with the CCP’s recovery efforts would be likely to have a negative impact on financial stability (and not just the stability of that particular CCP). The resolution authority may be in a unique position to bring stability to a market that has lost confidence in a CCP or a particular clearing service and reinforce the appropriate behavioural incentives for firms to participate in default management and resolution proceedings; it will also be able to coordinate with other authorities on a cross-border basis to manage the implications of a default scenario across multiple jurisdictions.

Where a resolution authority has the power to step in before the CCP’s waterfall is depleted it is important that market participants have clarity on what conditions would lead it to step in (i.e., details on triggers) and what it intends to do in those circumstances (i.e, details on how it proposes to continue with, or move beyond the waterfall). The latter includes the tools the resolution authority intends to apply and the order in which it is likely to apply them – and how it will coordinate in resolution with the existing management of the CCP. Before a CCP is put into resolution, it is necessary that resolution authorities in consultation with market participants and foreign regulators determine that doing so will enable the broader financial market to remain as orderly and stable as possible. Where this relates to the resolution of certain critical functions and supporting services, resolution should not begin before practical assessments have been made regarding alternative venues or bridge institutions that could be capable of clearing open positions. Such alternative arrangements are likely to be complex as they would require the swift on-boarding of members of the failed CCP and measures to ensure that existing netting arrangements are maintained through that transition.

Whether the presumptive timing of entry is pre-defined or not, the clear communication of that timing is of critical importance for CCP participants in a stressed market. Where a CCP goes



into resolution, decisions are being made quickly, and it is imperative that the officials making that decision – for instance, a CCP's college of regulators – are equipped to quickly and clearly communicate that decision to participants. The source of that information and the channel for its communication must be pre-defined so as to minimise confusion and overlap in a stressed market scenario.

Furthermore, it is clear that a number of different scenarios may cause a CCP to enter into resolution, including default losses and multiple potential causes of non-default losses – or even both at the same time. It is therefore important to pre-define the processes and responsibilities that will be necessary to identify A) what has caused the problem (e.g., default or non-default losses, for instance), and B) what kind of next steps CCPs and authorities must undertake as a result.

Adequacy of financial resources in resolution

Q4. Should CCPs be required to hold any additional pre-funded resources for resolution, or otherwise adopt measures to ensure that there are sufficient resources committed or reserved for resolution? If yes, what form should they take and how should they be funded?

We do not consider the additional up-front financial burden of pre-funded resources to be worth the potential benefit of those resources for use in the extreme and unlikely event of a CCP resolution, where additional pre-funding could instead have pro-cyclical effects. The requirement that clearing members contribute and/or earmark additional pre-funded resources for use in resolution would be a significant additional burden on those clearing members, who already contribute substantial pre-funded resources that are prescribed in the contractual terms of CCP membership and subjected to stress testing. The provision of clearing services is already a high-cost, low-return business, due to fixed platform costs and increased capital requirements (driven primarily by the leverage ratio). In parallel, banks already face extensive costs associated with ensuring sufficient financial resources to avoid imposing costs on the wider financial sector in the event of their resolution (including minimum bail-in requirements and *ex ante* financed resolution funds).

It is also important to consider whether CCPs maintain sufficient resources for use in a non-default scenario, as it is not appropriate for them to depend on the waterfall resources of clearing members in such an event, and additional CCP-provided backstops may be necessary. As with bank resolution frameworks, CCPs should have in place appropriate mechanisms and sufficient own resources to ensure their shareholders and creditors absorb such losses.

In addition, liquidity facilities are potentially powerful backstops in a resolution scenario. CCPs should have access to committed liquidity facilities based on negotiated commercial terms. In line with existing FSB guidance on temporary funding, CCPs should identify sources of their own collateral to ensure they can access liquidity resources in a non-default scenario, which should include backstop mechanisms that may be helpful in securing liquidity resources.

Q5. How should the appropriate quantum of any additional CCP resources be determined? In sizing the appropriate quantum, what factors and considerations should be taken into account? Do your answers vary for default and non-default losses?

See our answer to Question 6.



Q6. *Should resolution funds external to the CCP be relied upon? If so, how should such funding arrangements be structured so as to minimise the risk of moral hazard, including for CCPs with significant cross-border participation? Where these are pre-funded, how should the target size be determined and which entities should be required to contribute?*

CCPs should have clear funding in place and that funding should be subjected to regular stress testing, as per the existing Principles for Financial Market Infrastructures. Stress test scenarios are used to determine if existing financial resources are sufficient and to the extent that stress testing determines the existing quantum of resources is sufficient, it is not necessary for additional pre-funded resources for use in default scenarios.

As noted in our answer to Question 4, it may be necessary to determine whether additional dedicated CCP resources are necessary for use in resolution proceedings as a result of non-default losses. Furthermore, stress tests that model such a scenario should consider the impacts to wider market stability of maintaining and deploying any additional resources earmarked for use in a non-default resolution scenario.

Tools to return to a matched book

Q7. *What factors should the resolution authority consider in choosing and exercising tools to return the CCP to a matched book? Is one (or more) of the tools for restoring a matched book preferable over others and if so, why?*

Clearing members should not have unlimited exposures to a CCP. Proposals or approaches that contemplate unlimited tear-ups and assessment rights create material netting and capital challenges for members, and are also prohibited by rules in certain jurisdictions. It is important to ensure that there are clear boundaries and processes around tear-ups. Where a CCP's waterfall has been exhausted, and auctions and voluntary tear-ups have failed to restore a matched book, we agree that the use of partial tear-ups can be an effective tool, but only where a failure to rebalance the CCP's book – i.e., for a critical function – is likely to lead to broader financial instability rather than simply the failure of the CCP.

In general, mandatory auctions for clearing members are an appropriate and effective method to restore a matched book.

Forced allocations should not be used, as they may result in clearing members taking on risk they do not have capacity for and/or cannot properly warehouse or offload. In a stressed market environment this can quickly become another source of financial contagion.

Q8. *Should any tools for restoring a matched book only be exercisable by resolution authorities? If so, which tools and subject to what conditions?*

Resolution authorities will be best positioned to ensure that partial tear-ups are fairly executed and delivered in a manner that mitigates financial instability – however, it is important that resolution authorities do so in consultation with the appropriate representatives from the CCP's risk management team to ensure they have the inputs and expertise they need to make informed and effective decisions.



Allocation of losses in resolution

Q9. *What are in your view effective tools for allocating default and non-default losses and what are the pros and cons of these tools? Should initial margin haircutting be considered as a tool for the allocation of losses in resolution? Is one or more of the tools preferable over others? What are your views on the use of tools to restore a matched book as a means of loss allocation?*

Initial margin haircutting is dangerously pro-cyclical and should never be part of the resolution toolkit. It creates the wrong incentives by dissuading members from fully participating in the recovery process and encouraging a race to the exit.

Among the tools that are available to allocate losses in the event of a default loss, variation margin gains haircutting can do so effectively while also providing the right incentives: it encourages in-the-money participants to exit positions opposite defaulting clearing members, which helps to restore a CCP's matched book while not putting additional stresses on out-of-the-money market participants. It is important that gains haircuts are only levied on gains made after a default in order to avoid retrospective assessments that will encourage a race to the exit. As we note in our answer to Question 10, it may be appropriate for limited gains haircuts to be implemented by the CCP as a part of its recovery processes.

Clearing members should not be subject to loss allocation tools in a resolution scenario driven by non-default losses, because they do not have sufficient oversight of CCPs' investment strategies and other undertakings that mitigate the potential for operational losses. As a principle, clearing members' potential to bear losses must be aligned with their capacity to make informed decisions about risks. In the event of a resolution driven by non-default losses, the beneficial owners of the CCP must bear losses in resolution, as is consistent with the standard in the FSB's Key Attributes that shareholders and creditors should absorb losses.

Q10. *Which, if any, loss allocation tools should be reserved for use by the resolution authority (rather than for application by a CCP in recovery)?*

Similar to the use of partial tear-ups, we consider that resolution authorities are best positioned to ensure that variation gains haircuts are fairly and effectively carried out, but that they should do so in consultation with the appropriate CCP representatives. We also consider that in certain circumstances, it may be appropriate for a CCP to enact limited gains haircuts in recovery if doing so is likely to restore the functioning of certain critical functions such as clearing services in a timely manner, where those clearing services are otherwise not likely to continue operating. For example, where an auction has not failed (and positions are therefore still being reallocated) but the CCP is in danger of quickly becoming insolvent as its resources are rapidly depleted, the CCP should have the opportunity to enact limited gains haircuts to quickly allocate losses and incentivise in-the-money participants to exit their positions. A CCP must define that power in its rulebook and it must be fully visible to clearing members on an *ex ante* basis.

Q11. *How much flexibility regarding the allocation of losses is needed to enable resolution authorities to minimise risks to financial stability? For example, to what extent should a resolution authority be permitted to deviate from the principle of *pari passu* treatment of creditors within the same class, notably different clearing members in resolution? What would be the implications of a resolution strategy based primarily or solely on a fixed order of loss*



allocation in resolution set out in CCP rules vs. a resolution strategy that confers discretion to the resolution authority to allocate losses in resolution differently to CCP rules?

As a general principle, we believe that *pari passu* treatment of creditors within the same class is the correct approach. It may in some strictly limited circumstances be necessary for a resolution authority to deviate and have some flexibility in how it allocates losses in resolution, i.e., to react effectively in a rapidly deteriorating macro situation. Where this flexibility is used, it is important that A) any losses resulting from the application of loss allocation tools are compensated by senior creditor claims as per the No Creditor Worse Off principle and B) the resolution authority's capacity for flexible action is identified and communicated to clearing members on an *ex ante* basis. In this context, we note that the proposals to change the order of loss allocation tools (as is considered in paragraph 6.7 of the discussion note) would create considerable uncertainty for members, and that the application of NCWO principle in scenarios where the order of tools is changed should be considered and clarified as part of any planning around loss allocation. It is appropriate for the resolution authority to work closely with the CCP (well before any actual resolution scenario) and, if necessary, get the CCP to amend its rules to provide for the desired level of flexibility, in a manner that is fully transparent to members. Such *ex ante* transparency is critical for all the members to properly assess and plan for the associated risks. The circumstances should be clearly defined and based on clear principles, such as those set out in paragraph 3 of Article 44 of the EU Bank Recovery and Resolution Directive.

Q12. *What are your views on the potential benefits or drawbacks of requiring CCPs to set out in their rules for both default and non-default losses:*

(i) The preferred approach of the resolution authority to allocating losses;

(ii) An option for, or ways in which, the resolution authorities might vary the timing or order of application of the loss allocation tools set out in the rules?

With specific reference to paragraph 6.3 of the discussion note, we consider that it is inappropriate for a resolution authority to choose a loss allocation strategy in resolution that is *premised* on not disclosing a fixed or presumptive order for loss allocation in advance. Clearing members must have a basic understanding of how the resolution authority intends to allocate losses. Even if the rulebook does not specify the precise timing for the application of certain tools, the potential tools and the general approach must be disclosed and *ex ante* transparent.

While transparency is critical for clearing members to plan for the risks and costs they may face in resolution, it is reasonable for authorities to publish a range of criteria and indicators that they could use to allocate losses across specific circumstances. We therefore agree with the middle-ground approach detailed in paragraph 6.9 of the discussion note, namely that some flexibility is likely to be necessary, but with the condition (as per our answer to Question 11) that the extent and possible application of this flexibility needs to be identified and communicated to CCP participants – i.e., the kind of tools that the resolution authority apply, and the circumstances in which they will be applied, as a general rule. Doing so allows clearing participants to predict the amount of financial support they could be required to provide in a resolution event. As a guiding principle, and where applicable, resolution authorities should respect the existing waterfall and subsequent loss allocation approach as described in CCP rulebooks and describe in a detailed manner how, when, and why they would deviate from that approach.

Furthermore, the distinct approaches to resolution that will be applied in default scenarios and in non-default scenarios should be outlined in advance. The established default waterfall



structure and default management process defines the financial responsibilities of clearing participants, as delineated in the contractual terms of membership. Indeed, these commitments – and the fact that they are transparent and understood by clearing members – mitigate moral hazard by incentivising clearing members to maintain robust risk management practices, as they pose credit risk to the CCP. Similarly, for non-default losses, it is necessary that CCPs bear the financial burden. This incentivises CCPs to maintain robust risk management practices.

Non-default losses

Q13. *How should non-default losses be allocated in resolution, and should allocation of non-default losses be written into the rules of the CCP?*

The allocation of non-default losses should be separately planned for in resolution (i.e., should not be planned for in the same manner as default losses). Losses should be allocated to the beneficial owners of the CCP.

We do not consider that it is appropriate for member resources to be used in a non-default scenario, and it is important to get *ex ante* clarity over what resources – additional or baseline – are available in a non-default scenario (i.e., where a CCP suffers investment losses). Non-default losses may be addressed by an additional quantum of pre-funded resources in the CCP, as considered in paragraphs 4.9 to 4.11 in the discussion note. Depending on what resources are envisioned for use in a CCP's resolution plans for non-default losses, it may be necessary to ensure that clearing members have complete disclosure over a CCP's investment decisions, for pricing and risk management purposes.

Q14. *Aside from loss allocation, are there other aspects in which resolution in non-default scenarios should differ from member default scenarios?*

While paragraph 7.4 of the discussion note addresses loss allocation for CCP participants, it would be beneficial if resolution plans provide further clarity regarding the treatment of creditors who are liquidity providers – and commercially involved with CCPs from a liquidity management perspective – under different resolution scenarios (i.e., both default and non-default processes). Any lack of clarity for the treatment of liquidity providers in such scenarios might make it difficult for CCPs to find sufficient providers and meet their requirements around liquidity management, which could foreclose on the use of liquidity facilities as a backstop.

Application of the “no creditor worse off” (NCWO) safeguard

Q15. *What is the appropriate NCWO counterfactual for a resolution scenario involving default losses? Is it the allocation of losses according to the CCP's rules and tear-up of all the contracts in the affected clearing service(s) or liquidation in insolvency at the time of entry into resolution, or another counterfactual? What assumptions, for example as to timing and pricing or the re-establishment of the CCP's matched book, will need to be made to determine the losses under the counterfactual?*



The appropriate counterfactual is the exhaustion of pre-funded resources in the default waterfall as per the CCP's rulebook and the liquidation of the CCP under the applicable insolvency regime.

Q16. *What is the appropriate NCWO counterfactual for a resolution scenario involving non-default losses? Is it the liquidation of the CCP under the applicable insolvency regime, assuming the prior application of any relevant loss allocation arrangements for non-default losses that exist under the CCP's rules or another counterfactual?*

For scenarios involving non-default losses, the appropriate counterfactual is the liquidation of the CCP under the applicable insolvency regime, which should not assume any prior loss allocation to clearing members.

Q17. *How should the counterfactual be determined in cases that involve both default losses and non-default losses?*

For scenarios involving default and non-default losses, the appropriate counterfactual is the liquidation of the CCP under the applicable insolvency regime and A) for default losses, the exhaustion of pre-funded resources in the default waterfall as per the CCP's rulebook; B) for non-default losses, no recourse to the default waterfall or prior loss allocation to clearing members.

The NCWO principle is important but it is need of further clarification where a CCP is entering into resolution because of both default and non-default losses. It is important that CCPs and resolution authorities provide greater clarity about the bail-in regime for any resolution scenario involving non-default losses – including a clear ordering of how creditors of various kinds are treated, and in what order. Such a counterfactual should consider not only clearing participants but also institutions that provide liquidity facilities to CCPs.

Equity exchange in resolution

Q18. *Should CCP owners' equity be written down fully beyond the committed layer of capital irrespective of whether caused by default or non-default events?*

Yes, the CCP's owners should always be required to support the CCP at the end of the default waterfall structure, meaning in practice that as much of the CCP owners' equity should be exposed to be used in resolution as is legally possible.

Q19. *Should new equity or other instruments of ownership be awarded to those clearing participants and other creditors who absorb losses in resolution?*

Senior creditor claims are the appropriate compensation for CCP participants who are allocated and/or absorb losses in resolution. Senior creditor claims are consistent with the principle of NCWO and also ensure that any losses allocated by the CCP (or by the resolution authority in coordination with the CCP) are appropriately implemented and not subject to moral hazard.



Cross-border cooperation

Q20. *What are your views on the suggested standing composition of CMGs? Should resolution authorities consider inviting additional authorities to the CMG on an ad-hoc basis where this may be appropriate?*

The composition of Crisis Management Groups (CMGs) should encompass prudential and market regulators from the primary regions impacted by the CCP – and its corresponding primary clearing participants. In composing a CMG it is important that authorities are mindful of the need for clear and timely decision-making and communication to the market in a resolution scenario.

Q21. *What should be the nature of engagement with authorities in jurisdictions where the CCP is considered systemically important, for the purpose of resolution planning and during resolution implementation?*

Engagement between CCPs and their corresponding CMGs should be established during the development of resolution plans. This engagement should be regular and should periodically review the validity and viability of the proposed plans.

Q22. *Should CCP resolution authorities be required to disclose basic information about their resolution strategies to enhance transparency and cross-border enforceability? If so, what types of information could be meaningfully disclosed without restricting the resolution authority's room for manoeuvre?*

CCPs' resolution authorities should disclose information about their resolution strategies, including the tools they intend to deploy and the sequence of steps they intend to take. This is particularly the case if/where the resolution authority contemplates that it may exercise resolution tools in a manner which is inconsistent with or not contemplated within the CCP's existing rulebook, so that members have an understanding of the contingencies to which they may be exposed.

Transparency on agreements between CCPs and their CMGs – including resolution processes – is important so that clearing participants can understand the nature of the risks to which they are exposed, even if they cannot identify the precise quantum. This information may include, and should not be limited to: the timing of resolution, the tools used during resolution, participants' likely obligations (financial and otherwise) during resolution, the resolution authority's approach to considering and assessing the viability of alternative venues in the event of resolution, and steps to temporarily suspend mandatory clearing, if applicable.

Cross-border effectiveness of resolution actions

Q23. *Does this section of the note identify the relevant CCP-specific aspects of cross-border effectiveness of resolution actions? Which other aspects, if any, should also be considered?*

See our answer to Question 24.



Q24. *What should be the role, if any, of the suspension of clearing mandates in a CCP resolution and how should this be executed in a cross-border context?*

It is important for all the relevant regulators to ensure that they have the power (under their respective legislative or regulatory frameworks) to quickly effect a temporary suspension of a clearing mandate in a resolution scenario. This power is especially important in jurisdictions where there are few or no alternative CCPs available. This suspension power should not only be exercised in situations where no back-up CCPs are available to clear the product(s) subject to mandatory clearing, but also where the cleared product itself is implicated in broader market stresses, i.e., it is not sufficiently liquid to continue clearing as the CCP is undergoing resolution.

Additionally, the potential loss or change in QCCP status – and subsequent membership and capital impacts and authorisation/recognition status of CCPs – should be planned for, even taking into account the transitional periods provided for by the international standards. If not addressed, clearing members may be disincentivised to maintain memberships post-resolution.