FSB FINANCIAL STABILITY BOARD

Press release

Press enquiries:
+41 61 280 8138
Joe.Perry@fsb.org

Ref: 24/2016

26 August 2016

FSB publishes progress reports on implementation of reforms to the OTC derivatives market and on removal of barriers to trade reporting

The Financial Stability Board (FSB) today published two reports on the implementation of key aspects of reforms to the over-the-counter (OTC) derivatives market. They show that although progress continues to be made, further action is required, particularly on implementing margin requirements and platform trading commitments, and on removing legal barriers to trade reporting and authorities' access to data held by trade repositories.

The ***OTC Derivatives Market Reforms: Eleventh Progress Report on Implementation*** sets out progress on implementation of the reforms to the OTC derivatives market agreed by the G20.[1] Trade reporting requirements for OTC derivatives and higher capital requirements for non-centrally cleared derivatives (NCCDs) are mostly in force and central clearing frameworks are being implemented. By contrast, current indications are that a substantial number of jurisdictions will not have margin requirements for NCCDs in force in accordance with the internationally agreed implementation schedule for these reforms, while platform trading frameworks are relatively undeveloped in most jurisdictions. Authorities continue to note a range of implementation challenges, many of which FSB members are seeking to address through international workstreams. Key points from the progress report are:

- **Trade reporting:** requirements covering over 90% of OTC derivative transactions were in force as at 30 June 2016 in 19 out of 24 FSB member jurisdictions; by end-2017, 23 of these jurisdictions expect to have such requirements in force. Work is also progressing on developing harmonised trade and product identifiers, and the governance frameworks around those.

- **Central clearing:** the majority of FSB jurisdictions (14) had in force frameworks for determining when standardised OTC derivatives should be centrally cleared that cover over 90% of OTC derivative transactions. Central clearing requirements were adopted in several FSB jurisdictions since the tenth progress report (November 2015) with the total set to reach 10 jurisdictions by end September 2016, mostly for interest rate derivatives, an asset class for which there is widespread availability of central counterparties (CCPs).

[1] These reforms are: trade reporting of OTC derivatives; central clearing and, where appropriate, exchange or electronic platform trading of standardised OTC derivatives; and higher capital and minimum margin requirements for non-centrally cleared derivatives.

- **Capital and margin:** while higher capital requirements for exposures to NCCDs are largely in force (with 20 jurisdictions having requirements in force that apply to over 90% of OTC derivatives transactions), less progress has been made in the implementation of margin requirements for NCCDs. By end-September 2016 requirements consistent with the internationally agreed phase-in schedule are due to be in force in only three jurisdictions. Furthermore, at this time around half of member jurisdictions do not appear on track to have implemented variation margin requirements in accordance with the second and final phase (March 2017). Such jurisdictions should urgently take steps to implement these reforms.

- **Platform trading:** frameworks for determining mandatory platform trading requirements are in force in 11 jurisdictions, and requirements are in place in three jurisdictions. Few other jurisdictions have further implementation steps planned. It is important that all jurisdictions have frameworks in place for regularly assessing when it is appropriate for transactions to be executed on organised trading platforms.

The FSB will continue to monitor and report on OTC derivatives reform implementation progress, including the effects of OTC derivatives reforms over time.

The FSB is also publishing today a ***Report on FSB Members' Plans to Address Legal Barriers to Reporting and Accessing OTC Derivatives Transaction Data***. This provides a summary of FSB member jurisdictions' planned actions to remove legal barriers to reporting complete transaction information to trade repositories and to authorities' access to data held in trade repositories.

The FSB had published a thematic peer review of OTC derivative trade reporting in November 2015, which identified a number of remaining legal barriers in FSB member jurisdictions in this regard. FSB members had therefore agreed as a follow up that, by June 2018, all jurisdictions should remove barriers to full reporting of trade information and have a legal framework in place to permit authorities' access to data in accordance with their mandates. Today's report sets out jurisdictions' plans to achieve this.

FSB members have raised concerns that restrictions on reporting complete data limit its usefulness to authorities in carrying out their regulatory mandates, including monitoring and analysing systemic risk and market activity. Barriers to authorities' access to data held in trade repositories also limit the ability of authorities to make full use of the data.

The report published today finds that while some work is in progress to remove barriers to both reporting of, and access to, complete OTC derivatives transaction information, significant work remains across FSB member jurisdictions to achieve this, including that concrete plans to address the barriers have yet to be formulated in a number of cases. Further significant planning and implementation efforts will be needed in order to meet the agreed June 2018 deadlines.

The individual reports by FSB jurisdictions of their planned actions to remove these barriers have also been published by the FSB today.

Further progress reports on plans to remove legal barriers, and on OTC derivatives reforms more generally, will be published ahead of the G20 Leaders' Summit in July 2017.

Notes to editors

The OTC Derivatives Working Group (ODWG), which drafted the progress report, is a working group of the FSB charged with monitoring implementation of the OTC derivatives reforms. Co-chaired by officials of the US Securities Exchange Commission, European Commission and Federal Reserve Bank of New York, it consists of senior representatives from a wide range of securities regulators, finance ministries, central banks, standard-setting bodies and international financial institutions.

The FSB welcomes feedback from the public on the eleventh progress report and on the report on plans to address legal barriers. Feedback should be submitted by 28 October by e-mail (fsb@fsb.org). Feedback may be posted on the FSB website unless respondents request otherwise.

The FSB has been established to coordinate at the international level the work of national financial authorities and international standard setting bodies and to develop and promote the implementation of effective regulatory, supervisory and other financial sector policies in the interest of financial stability. It brings together national authorities responsible for financial stability in 24 countries and jurisdictions, international financial institutions, sector-specific international groupings of regulators and supervisors, and committees of central bank experts. The FSB also conducts outreach with 65 other jurisdictions through its six regional consultative groups.

The FSB is chaired by Mark Carney, Governor of the Bank of England. Its Secretariat is located in Basel, Switzerland, and hosted by the Bank for International Settlements.

For further information on the FSB, visit the FSB website, www.fsb.org.