



Press release

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Reports from CPMI-IOSCO advance regulatory agenda on central counterparties

Reports published today by the Committee on Payments and Market Infrastructures ([CPMI](#)) and the International Organization of Securities Commissions ([IOSCO](#)) are aimed at enhancing the resilience of central counterparties (CCPs), an important move towards completing the regulatory agenda for central clearing laid out after the financial crisis.

“Ensuring that central counterparties are safe and resilient is an important priority for the G20, and these reports deliver on key goals set by the Chinese presidency,” said CPMI Chair Benoît Cœuré.

“Although the risk of default cannot be entirely eliminated from the global financial system, we aim to limit potential systemic risks arising from any default by a central counterparty member as much as possible by applying a robust but balanced approach to reinforce financial buffers and risk control,” said IOSCO Board Chair Ashley Alder.

The first report, [Implementation monitoring of PFMI – Level 3 assessment – Report on the financial risk management and recovery practices of 10 derivatives CCPs](#), looks at the implementation of the key standards for the industry, the *Principles for financial market infrastructures* (PFMI), as they relate to financial risk management and recovery practices (ie the procedures to follow in case a member defaults).

The report reviews measures in place at a selected set of derivatives CCPs and finds CCPs have made important and meaningful progress in implementing arrangements consistent with the standards. Some gaps and shortcomings have nevertheless been identified, notably in the areas of recovery planning and credit and liquidity risk management. The report also identifies a number of other differences in the outcomes of implementation across CCPs. They may reveal differences in interpretation or approach that could materially affect resilience; achieving a level playing field across jurisdictions will be assisted by further guidance on the PFMI outlined in the consultative report also published today (see below).

Looking ahead, CPMI and IOSCO intend to conduct a follow-up targeted review of CCPs’ progress in addressing the most important issues identified in the report in 2017.

The consultative report, [Resilience and recovery of central counterparties \(CCPs\): Further guidance on the PFMI](#), proposes more granular descriptions of how CCPs



are expected to implement key parts of the PFMI to further improve their resilience and recovery planning.

In particular, the report provides proposed guidance on the following key aspects of a CCP's financial risk management framework: (i) governance and disclosure relating to the CCP's risk management framework; (ii) credit and liquidity stress testing; (iii) coverage of credit and liquidity resource requirements; (iv) margin; (v) a CCP's contribution of its own financial resources to losses; and (vi) recovery planning.

The guidance contained in the report, once finalised, is also intended for use by authorities for regulation, supervision and oversight of CCPs. The guidance addresses several of the resilience and recovery priorities identified in the joint CCP workplan of the Financial Stability Board (FSB), CPMI, IOSCO and the Basel Committee on Banking Supervision. [A discussion note on CCP resolution](#), also published today by the FSB, follows up on another key priority of the joint CCP workplan.

Comments on the guidance proposed in the report should be submitted by 18 October 2016. A [cover note to the consultative report](#) is also available.

Notes:

1. The Committee on Payments and Market Infrastructures (CPMI) promotes the safety and efficiency of payment, clearing, settlement and related arrangements, thereby supporting financial stability and the wider economy. The CPMI secretariat is hosted by the BIS. More information about the CPMI, and all its publications, can be found on [the BIS website](#).
2. [IOSCO](#) is the leading international policy forum for securities regulators and is recognized as the global standard setter for securities regulation. The organization's membership regulates more than 95% of the world's securities markets in more than 115 jurisdictions.
3. Both committees (the CPMI and IOSCO) are recognised as international standard-setting bodies by the [Financial Stability Board](#).
4. The FSB established a coordination framework in October 2011 for monitoring and reporting on the implementation of G20 financial reforms. The framework envisages, inter alia, standard-setting bodies taking on the responsibility for monitoring and reporting on national implementation progress in their respective areas.
5. The April 2012 CPSS-IOSCO *Principles for financial market infrastructures* can be found on the websites of the [BIS](#) and [IOSCO](#).
6. Full, timely and consistent implementation of the PFMI is fundamental to ensuring the safety, soundness and efficiency of FMIs and for supporting the resilience of the global financial system. In addition, the PFMI play an important part in the G20's mandate that all over-the-counter (OTC) derivatives should be reported to trade repositories and all standardised OTC derivatives be centrally cleared. Global central clearing requirements reinforce the importance of strong safeguards and consistent oversight of central counterparties for derivatives in particular. CPMI and IOSCO members are committed to adopting the Principles and Responsibilities contained in the PFMI in line with the expectations of the G20 and the FSB.



7. The CPMI and IOSCO are monitoring PFMI implementation according to a three-level framework: a Level 1 assessment of the status of the implementation process; a Level 2 assessment of the completeness of the implemented framework and its consistency with the PFMI; and a Level 3 assessment of the consistency in outcomes of such frameworks.

A key goal of the Level 3 assessments is to inform all stakeholders (including market participants and the broader public) on how the PFMI have been implemented by financial market infrastructures. Importantly, Level 3 assessments are peer-benchmarking exercises and not supervisory exercises. Accordingly, the focus of this Level 3 report is on the consistency of outcomes of implementation of the relevant Principles and key considerations across the group of CCPs as a whole rather than on each individual CCP's specific outcomes of implementation.

Further details of the CPMI-IOSCO implementation monitoring of the PFMI, including a list of published Level 1 and Level 2 reports, are available [here](#).