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Press release

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Study highlights continued central clearing interdependencies

The Financial Stability Board (FSB), the Committee on Payments and Market Infrastructures (CPMI), the International Organization of Securities Commissions (IOSCO) and the Basel Committee on Banking Supervision (BCBS) today published [the second report that maps interdependencies](#) between central counterparties (CCPs) and their clearing members and other financial service providers. The international standard-setters published the [first report](#) on central clearing interdependencies in July 2017.

CCPs are an increasingly important part of the financial system, particularly following the post-crisis reforms that mandated central clearing of standardised over-the-counter (OTC) derivatives. CCPs should be subject to strong regulatory, supervisory and oversight requirements to fully realise the financial stability benefits they offer. Analysing the network of relationships is a useful starting point for understanding potential sources of systemic risk in central clearing.

To assess whether the findings of the July 2017 report (based on data as of September 2016) were stable over time, the international standard-setters conducted another more streamlined data collection (as of October 2017) from the same 26 CCPs. The results are broadly consistent with the previous analysis and show that:

- **Prefunded financial resources are concentrated at a small number of CCPs.** The two largest CCPs (as measured by prefunded financial resources) account for nearly 40% of total prefunded financial resources provided to all CCPs, compared with 32% in the July 2017 report.
- **Exposures to CCPs are concentrated among a small number of entities.** The largest 11 of the 306 clearing members (as measured by prefunded financial resources provided to the CCP) are connected to between 16 and 25 CCPs. Viewed from the perspective of CCPs, this indicates that the default of a CCP clearing member could result in defaults of the same entity or its affiliates in up to 24 other CCPs included in this analysis.
- **The relationships mapped are characterised, to varying degrees, by a core of highly connected CCPs and entities and a periphery of less highly connected CCPs and entities.** However, even the less highly connected CCPs often are linked to at least one

highly connected entity that indirectly connects the CCP into the more interconnected part of the network structure.

- **A small number of entities tend to dominate the provision of each of the critical services required by CCPs.** This relationship between CCPs and other entities suggests that a failure at one of these central elements of a CCP network would likely have significant consequences for the rest of the network.
- **Clearing members and clearing member affiliates are also important providers of other critical services required by CCPs and can maintain several types of relationships with multiple CCPs simultaneously.** By way of example, many clearing members provide at least three other critical financial services and one member provides six services.

There are, however, some changes to highlight in the interdependencies in central clearing. For instance, the concentration of client clearing activity has decreased. Initial margins from clients are now concentrated in two CCPs, compared to only one with the previous report using data as of September 2016.

The analysis of interdependencies in central clearing is intended to provide useful inputs for designing supervisory stress tests and has informed the policy work as set out in the joint [workplan](#) to promote CCP resilience, recovery and resolvability. The standard-setters [published a report](#) on the implementation of the workplan in July 2017.

Notes to Editors

The FSB, BCBS, CPMI and IOSCO on 7 August published for consultation an [evaluation of the effects of the post-crisis reforms on incentives to centrally clear OTC derivatives](#). They will publish the final evaluation report by the Buenos Aires G20 Summit in late November.