

Press release

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Financial Stability Board publishes reports on implementation of OTC derivatives market reforms

The Financial Stability Board (FSB) published today a [report by the FSB Chairman](#) to the G20 Leaders summarising progress in over-the-counter (OTC) derivatives reforms, together with the [sixth of the FSB's semi-annual comprehensive progress reports](#) on implementation of OTC derivatives market reforms.

G20 Leaders agreed in 2009 to a comprehensive reform agenda to improve transparency in these markets, mitigate systemic risk, and protect against market abuse.

To achieve these objectives, the G20 agreed that by end-2012:

- all OTC derivatives contracts should be reported to trade repositories (TRs);
- all standardised contracts should be traded on exchanges or electronic trading platforms, where appropriate, and cleared through central counterparties (CCPs);
- non-centrally cleared contracts should be subject to higher capital requirements and minimum margining requirements should be developed.

These reports find that substantial progress has been made standard-setting bodies, national and regional authorities and market participants toward meeting the G20 commitments, through international policy development, adoption of legislation and regulation, and expansion of infrastructure.

- **Jurisdictions' implementation of reforms:** By the start of 2014 three-quarters of FSB member jurisdictions intend to have legislation and regulation adopted to require transactions to be reported to trade repositories. Frameworks for central clearing requirements are in place in most of the largest derivatives markets, with concrete rules now starting to go into effect.
- **International standards:** minimum standards are in place for sound risk management of Financial Market Infrastructures (FMIs), including CCPs, supporting OTC derivatives markets. Guidance on FMI recovery and resolution has been proposed, to avoid a situation in which these institutions would otherwise be 'too big to fail'. Standards for margin requirements and capital requirements related to non-

centrally cleared transactions have been agreed or proposed, which once implemented will promote sound risk management and encourage use of central clearing.

- A group of regulators from a number of large OTC derivatives markets have reached understandings to improve the **cross-border implementation** of OTC derivatives reforms.
- A **macroeconomic assessment** estimates long-run net benefits from the reforms.

A special focus of the sixth progress report is an exploration of market participant readiness to meet the requirements of reform as they are implemented. It finds that:

- **Market participants** in general appear to be making good progress in their preparations for implementation of OTC derivatives market reforms.
- Actual **use of centralised infrastructure** by market participants is most advanced in trade reporting and central clearing of OTC interest rate and credit derivatives.
- The large share of cross-border activity in many OTC derivatives markets means that **clarity in how jurisdictions' regulatory regimes interact** is crucial for all stakeholders.

The reports also discuss areas where further work is needed to complete the reforms and achieve the G20 objectives, including:

- increased use of **central clearing**, and a renewed focus on the commitment to increase the use of exchanges and electronic **trading platforms**;
- establishment of resolution regimes for FMI, including CCPs;
- continued work by regulators to cooperate in the **application of regulations in cross-border contexts**, to enable them to defer to each other's rules where these achieve similar outcomes;
- **greater clarity from regulators** regarding the detailed rules on the treatment of cross-border transactions and the timetables for implementation; and
- ensuring that authorities can make full use of the data collected by **trade repositories** in fulfilling their financial stability mandates, including via the aggregation of TR data.

Authorities should continue their monitoring to ensure that jurisdictions finalise their reform programmes and to identify new risks that may emerge as market participants adapt to the new regulatory environment.

The FSB will continue to monitor jurisdictions' implementation of the OTC derivatives reform programme, as well as the extent to which the implemented reforms meet the G20's underlying goals of improving transparency in the derivatives markets, mitigating systemic risk, and protecting against market abuse. The FSB will publish its next progress report in April 2014.

The FSB welcomes feedback from the public on this report. Feedback should be submitted by 2 October 2013 by e-mail (fsb@bis.org) or post (Secretariat of the Financial Stability Board, c/o Bank for International Settlements, CH-4002, Basel, Switzerland). Feedback will be posted on the FSB website unless respondents request otherwise.

Notes to editors

In October 2010 the FSB published [21 recommendations for implementing the G20 commitments](#). The [first FSB progress report](#) on implementation was published in April 2011, the [second FSB progress report](#) in October 2011, the [third progress report](#) in June 2012, the [fourth progress report](#) in October 2012, and the [fifth progress report](#) in April 2013.

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 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.financialstabilityboard.org.