

MEMO# 27632

October 10, 2013

ICI and ICI Global Comment Letter on Use of Customer Margin for Recovery of Clearinghouses

[27632]

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TO: CLOSED-END INVESTMENT COMPANY MEMBERS No. 87-13
DERIVATIVES MARKETS ADVISORY COMMITTEE No. 75-13
ICI GLOBAL MEMBERS
INTERNATIONAL MEMBERS No. 49-13 RE: ICI AND ICI GLOBAL COMMENT LETTER ON USE OF CUSTOMER MARGIN FOR RECOVERY OF CLEARINGHOUSES

ICI and ICI Global have submitted a comment letter to the Committee on Payment and Settlement Systems (“CPSS”) and the International Organization of Securities Commissions (“IOSCO”) on their consultative report on the “recovery” of financial market infrastructures (“FMIs”), including central counterparties (“CCPs”). [\[1\]](#) A copy of the letter is attached.

The purpose of the Consultative Report is to provide guidance on the development of recovery plans for FMIs to enable them to recover from threats to their viability and financial strength that might prevent them from continuing to provide critical services. The Consultative Report discusses the recovery planning process and tools that FMIs should consider in their recovery plans.

In the letter, ICI and ICI Global express significant concerns with some of the recovery tools suggested by the CPSS and IOSCO. In particular, the letter opposes the use of variation margin haircutting and initial margin haircutting by CCPs as recovery tools because margin of non-defaulting indirect participants (i.e., customers of clearing members) of CCPs could be used to support the recovery of a CCP. The letter explains that these tools would impose unfairly the costs of recovery of CCPs on entities that did not contribute to the losses or the default and do not have the ability to manage the risk of the CCPs.

Jennifer S. Choi
Senior Associate Counsel – Securities Regulation

[Attachment](#)

endnotes

[1] Consultative report, Recovery of financial market infrastructures, Committee on Payment and Settlement Systems and Board of the International Organization of Securities Commissions (August 2013), available at <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD418.pdf> ("Consultative Report").

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