

MEMO# 31588

February 1, 2019

FSB Discussion Paper on CCP Resolution - ICI Global Comment Letter

[31588]

February 1, 2019 TO: Derivatives Markets Advisory Committee

ICI Global Regulated Funds Committee

ICI Global Trading & Markets Committee RE: FSB Discussion Paper on CCP Resolution - ICI Global Comment Letter

On 1 February 2019, ICI Global filed a comment letter with the Financial Stability Board (FSB) in response to its discussion paper (DP) on financial resources to support central counterparty (CCP) resolution and the treatment of CCP equity in resolution. Attached is the filed letter which takes into account member comments on the draft letter.[\[1\]](#)

In our comment letter, we strongly support the FSB's efforts to issue guidance on CCP resolution and the financial resources available to support a resolution proceeding. When providing guidance, we encourage the FSB to seek to strike a balance between providing certainty regarding the resolution process and allowing resolution authorities sufficient flexibility to respond to unanticipated circumstances. We further recommend that FSB's guidance ensures that regulated funds and other customers of CCPs receive fair treatment during a CCP's resolution. To accomplish this objective, we urge the FSB to adopt guidance that:

- at a minimum, encourages authorities to communicate to clearing participants the tools and strategies they will use to resolve a failed CCP (see Section I of the comment letter);
- establishes that a CCP enters resolution at the point when it has depleted its own recovery resources and the resources of clearing members that are committed to the CCP's recovery (see Section II of the comment letter); and
- supports the use of resolution strategies that rely on the resources of the entities ultimately responsible for the failure of the CCP's risk management function — the CCP itself and its members and shareholders — rather than seizing resources from non-defaulting customers, CCP users that play no meaningful role in CCP risk management and have not contributed to the CCP's distress (see Section III of the comment letter);

Next Steps

The FSB has indicated that it will use the responses it receives to the DP, along with the experience of authorities in evaluating financial resources for resolution, to inform the

development of any further guidance by end 2020.

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[Attachment](#)

endnotes

[1] Memorandum No. 31561, FSB Discussion Paper on CCP Resolution - Draft Letter for Member Comment, Dated 16 January 2019, available from <https://www.iciglobal.org/iciglobal/pubs/memos/memo31561>

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