

MEMO# 27592

September 24, 2013

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

[27592]

September 24, 2013

TO: CLOSED-END INVESTMENT COMPANY COMMITTEE No. 25-13
DERIVATIVES MARKETS ADVISORY COMMITTEE No. 72-13
ICI GLOBAL MEMBERS
INTERNATIONAL COMMITTEE No. 24-13 RE: DRAFT ICI AND ICI GLOBAL COMMENT LETTER
ON USE OF CUSTOMER MARGIN FOR RECOVERY OF CLEARINGHOUSES

Recently, the Committee on Payment and Settlement Systems (“CPSS”) and the International Organization of Securities Commissions (“IOSCO”) issued a consultation paper on the “recovery” of financial market infrastructures (“FMIs”), including central counterparties (“CCPs”). [\[1\]](#) 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 provides guidance on the recovery planning process and discusses tools that FMIs should consider in their recovery plans.

We have prepared a draft comment letter on the Consultative Report, which is attached. If you have comments on the draft letter, please provide them to Jennifer Choi at jennifer.choi@ici.org by Thursday, October 3.

The draft letter describes our significant concerns with some of the recovery tools suggested by the CPSS and IOSCO. In particular, the draft letter opposes the use of variation margin 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 that 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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