

**MEMO# 31561**

January 16, 2019

## **FSB Discussion Paper on CCP Resolution - Draft Letter for Member Comment by 24 January 2019**

[31561]

January 16, 2019 TO: Derivatives Markets Advisory Committee

ICI Global Regulated Funds Committee

ICI Global Trading & Markets Committee RE: FSB Discussion Paper on CCP Resolution - Draft Letter for Member Comment by 24 January 2019

As previously advised,[\[1\]](#) on 15 November 2018 the Financial Stability Board (FSB) published a discussion paper (DP)[\[2\]](#) on financial resources to support central counterparty (CCP) resolution and the treatment of CCP equity in resolution. ICI Global intends to submit a comment letter in response to the DP by the deadline of 1 February 2019. Attached is a draft letter, on which we are welcoming member comments by close of business on Thursday 24 January 2019.

In the draft letter, we strongly support the FSB's efforts to issue guidance on CCP resolution and the financial resources available to support a resolution proceeding. We urge the FSB to: (i) strike a balance between providing certainty regarding the resolution process and allowing resolution authorities sufficient flexibility to respond to unanticipated circumstances; and (ii) to ensure that regulated funds and other customers of CCPs receive fair treatment during a CCP's resolution. To accomplish these objectives, 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, pages 2-3 of the draft 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, page 3 of the draft 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, 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, pages 3-6 of the draft letter).

If you wish to provide comments on the draft letter or have any questions, please contact George Gilbert (based in the US) on +1 202 326 5810 or at [george.gilbert@ici.org](mailto:george.gilbert@ici.org) or Giles Swan (based in the UK) on +44 207 961 0832 or at [giles.swan@iciglobal.org](mailto:giles.swan@iciglobal.org).

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## [Attachment](#)

### **endnotes**

[1] Memo 31516, RE: Financial Stability Board Discussion Paper on CCP Resolution, dated 10 December 2018, available from <https://www.iciglobal.org/iciglobal/pubs/memos/ici.memo31516.global>

[2] Financial resources to support CCP resolution and the treatment of CCP equity in resolution, Discussion paper for public consultation, Financial Stability Board, 15 November 2018, available at <http://www.fsb.org/wp-content/uploads/P151118-2.pdf>

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