

**MEMO# 30318**

October 17, 2016

# **ICI Global Submits Comment Letters in Response to FSB and CPMI-IOSCO Consultations on Clearinghouse Resolution and Recovery**

[30318]

October 17, 2016

TO: DERIVATIVES MARKETS ADVISORY COMMITTEE No. 57-16  
ICI GLOBAL TRADING & MARKETS COMMITTEE No. 53-16  
INTERNATIONAL MEMBERS No. 19-16  
SECURITIES OPERATIONS ADVISORY COMMITTEE RE: ICI GLOBAL SUBMITS COMMENT LETTERS IN RESPONSE TO FSB AND CPMI-IOSCO CONSULTATIONS ON CLEARINGHOUSE RESOLUTION AND RECOVERY

ICI Global has filed the attached comment letters in response to consultations on the resiliency, recovery, and resolution planning of central counterparties (“CCPs”) published by the Financial Stability Board (“FSB”), the Committee on Payments and Market Infrastructures (“CPMI”), and the International Organization of Securities Commissions (“IOSCO”).[\[1\]](#) Specifically, the letters respond to an FSB discussion note on the essential aspects of CCP resolution planning and a CPMI-IOSCO consultative report providing further guidance on resilience and recovery of CCPs.

Our letters urge global authorities to promote recovery and resolution strategies that protect the assets of customers of clearing members, including funds. The letters encourage regulators to reject CCP recovery or resolution strategies that would permit the appropriation of customer assets through margin haircuts or partial contract tear-ups. Haircutting the margin or tearing-up the contracts of non-defaulting customers of clearing members would impose unfairly the costs of CCP resolution on entities that did not contribute to the CCP’s failure and do not have the ability to manage the risks of the CCP. Using customer assets to resolve a CCP also would create inappropriate incentives for owners and clearing members of CCPs. Rather than using customer funds to resolve a failed CCP, we recommend that other resources be available for this purpose.

The letters also suggest that CCPs and the authorities responsible for their resolution to provide public guidance on the point in time at which a recovery effort will turn to resolution of a failed CCP. We believe that providing market participants with transparency

into the timing and process for resolving a CCP will result in fairer treatment for all stakeholders and reduce uncertainty during a stressful time.

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### [Attachment](#)

#### **endnotes**

[1] See FSB, Essential Aspects of CCP Resolution Planning, Discussion Note, August 16, 2016, *available at* <http://www.fsb.org/wp-content/uploads/Essential-Aspects-of-CCP-Resolution-Planning.pdf> (“Discussion Note”); CPMI and IOSCO, Resilience and recovery of central counterparties (CCPs): Further guidance on the PFMI, consultative report, August 2016, *available at* <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD539.pdf> (“Consultation Report”).

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