

**MEMO# 33544**

May 21, 2021

# **UK Consultation on an Expanded Resolution Regime for UK CCPs - ICI Global Response**

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TO: Derivatives Markets Advisory Committee

UK-EU Cross Border Task Force RE: UK Consultation on an Expanded Resolution Regime for UK CCPs - ICI Global Response

On 21 May 2021, ICI Global submitted a response to the consultation issued by Her Majesty's Treasury (HMT) on expanding the resolution regime for UK Central Counterparties (UK CCPs).[\[1\]](#) The response takes account of member feedback on the draft response.[\[2\]](#)

We are supportive of many aspects of HMT's proposals for an expanded resolution regime for UK CCPs. To ensure the fair treatment of CCP customers and to strike an appropriate balance between providing certainty to market participants regarding the CCP resolution process and allowing the BoE sufficient flexibility to respond to unanticipated circumstances, we recommend the following changes to HMT's proposals:

- Require the BoE to set out in as much detail as possible how its proposed general powers and enhanced powers, such as tools to return a CCP to a matched book, will be used and how any deployed tools will work in practice.
- Define resolution as the point at which the CCP has depleted its own recovery resources and the resources of clearing members that are committed to the CCP's recovery.
- Place greater reliance on resolution tools that use the resources of entities responsible for the CCP's risk management (e.g., the CCP itself and its members and shareholders), rather than using tools that seize resource from non-defaulting customers (NDCs).
- Take account of the impact of the BoE's proposed actions on CCP customers, such as regulated funds, including limiting the BoE's use of tools such as variation margin gains haircutting (VMGH) and contract tear ups (CTUs) for the replenishment of financial resources and only as a last resort when other tools have been exhausted, and subject to additional safeguards, including the involvement of CCP customers.

## Next Steps

HMT is accepting comments in response to the consultation by 28 May 2021. After the consultation closes, HMT will consider how best to legislate for the new regime when UK parliamentary time allows.

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ICI Global

### endnotes

[1] Expanded Resolution Regime: Central Counterparties, February 2021, available from [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/962168/Expanded\\_Resolution\\_Regime\\_for\\_Central\\_Counterparties\\_-\\_Consultation\\_\\_002\\_.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/962168/Expanded_Resolution_Regime_for_Central_Counterparties_-_Consultation__002_.pdf)

[2] ICI Memorandum 33456, RE: UK Consultation on an Expanded Resolution Regime for UK CCPs - Member Comments Requested by 23 April 202, dated 14 April 2021, available from <https://www.ici.org/memo33456>

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