

**MEMO# 34015**

January 27, 2022

# **CPMI and IOSCO Discussion Paper on Client Clearing: ICI Global Draft Response for member comment by 2 February 2022**

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TO: Derivatives Markets Advisory Committee RE: CPMI and IOSCO Discussion Paper on Client Clearing: ICI Global Draft Response for member comment by 2 February 2022  
As previously advised,[\[1\]](#) on 29 November 2021 the Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO) published a discussion paper (DP) on access to central clearing and portability. A draft of ICI Global's response is attached for member input by close of business on Wednesday 2 February 2022.

## **Draft Response**

We welcome CPMI-IOSCO's efforts to enhance common understanding of new access models and effective porting practices, with a view to identifying potential issues for follow-up work from the industry at international level. We underline our support for central clearing to be underpinned by a coherent international framework because of the cross-border nature of the derivatives markets. We outline the following observations on the client clearing access and portability issues that are raised in the DP (set out in more detail in the body of the letter.

- *Sponsored access* – a small but growing portion of funds use of sponsored access, particularly for repo clearing. However, potential financial benefits for funds are offset by challenges such as limitations on access, additional infrastructure requirements, contingent guarantees, additional legal and operational complexity, captive execution, and investor protection risks. Furthermore, funds often lack clarity over the role of sponsors vs sponsored members in times of stress (e.g., immediate obligations to meet intra-day margin requirements.) We support ongoing work to address the challenges and enhance the benefits of sponsored access. We also see value in enhancing the transparency of central counterparty (CCP) approaches, to provide greater certainty and clarity to clients and to improve market confidence.
- *Direct access* – legal, regulatory and operational limitations present challenges for funds to access clearing services directly. We broadly support the development of

alternative clearing access models. We welcome work to explore whether the challenges associated with direct access for funds can be resolved in a manner that provides net benefits for funds compared to traditional client clearing service provider (CCSP) access models.

- *Porting* – efficient and timely porting of client positions in the event of a CCSP's default provides a multitude of benefits to clients such as funds and to the wider market. Funds may not be able to secure the services of a backup CCSP and may face hurdles in understanding the operations of an alternative CCSP. Furthermore, funds may be ported to a CCSP that doesn't meet their eligibility criteria or regulatory requirements (e.g., if omnibus positions are ported on a wholesale basis)—requiring funds to undertake a further porting exercise to move positions to a suitable CCSP. To improve common understanding of the different approaches to porting that are adopted by CCSPs and CCPs, we recommend enhancements to "pre-default" and "at-default" transparency, the development of harmonised protocols, and the use of "fire drills".

## Next Steps

Please provide input on ICI Global's draft response by close of business on Wednesday 2 February 2022. We plan to submit our response to CPMI-IOSCO by the extended deadline of 7 February 2022.

CPMI-IOSCO have indicated that they are seeking to identify potential issues for follow-up work, including increasing common understanding of new access models to clearing and effective ways to support successful porting in instances of CCP member default.

Giles Swan  
Director of Global Funds Policy  
ICI Global

## Endnotes

[1] See ICI Memorandum 33999, RE: CPMI and IOSCO Discussion Paper on Client Clearing: Access and Portability, dated 18 January 2022, available at [www.ici.org/memo33999](http://www.ici.org/memo33999)