

MEMO# 35749

June 19, 2024

ICI Global Responds to FSB Consultation on Liquidity Preparedness

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TO: ICI Members
ICI Global Members
Derivatives Markets Advisory Committee
Equity Markets Advisory Committee
SEC Rules Committee SUBJECTS: Derivatives
Financial Stability
International/Global
Trading and Markets RE: ICI Global Responds to FSB Consultation on Liquidity Preparedness

On 18 June, ICI Global responded to the Financial Stability Board's (FSB) recent consultation on non-bank market participants' liquidity preparedness for margin and collateral calls. [\[1\]](#) The FSB's consultation presented eight cross-sectoral policy recommendations that are addressed to non-bank financial participants, in centrally and non-centrally cleared derivatives and securities markets. The FSB identifies a diverse group of non-bank market participants within the scope of the Consultation, including regulated funds, insurance companies, pension funds, hedge funds, other investment funds and family offices, and non-financial entities such as commodities traders. Commercial banks and financial market infrastructures (including central counterparties (CCPs)) are excluded.

The policy recommendations address liquidity risk management and governance, stress testing and scenario design, and collateral management practices. They are intended to address liquidity risks that occur as margin and collateral calls spike, including in extreme but plausible conditions.

In our response, ICI Global highlighted the importance of transparency to liquidity preparedness.

We expressed our agreement with the FSB's proposal that jurisdictions should consider the materiality of potential risks that market participants pose and to apply the recommendations proportionately. We suggest two modifications to the FSB's approach. First, while the Consultation acknowledges that different non-bank market participants are subject to different levels of regulations, existing regulations should be expressly included in the factors that a jurisdiction should consider in determining the materiality of potential

risks. Second, the materiality of potential risks should be considered holistically. None of the factors definitively identify material risk on their own.

While we expressed general support for the goals underlying the consultation's recommendations, which describe high-level principles, we proposed several revisions to address unfeasible proposals included in the explanatory text that market participants consider certain factors and assumptions that are not appropriate for the broad scope of market participants covered by the Consultation. Our suggested approach would provide market participants with greater flexibility, which could enhance the feasibility of implementing the recommendations and reaching the goals that the FSB is trying to achieve.

Kirsten Robbins
Associate Chief Counsel, ICI Global

Notes

[1] FSB, [Liquidity Preparedness for Margin and Collateral Calls: Consultation report](#) (17 April 2024). ICI Global's response to the Consultation is available [here](#).

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