

## **ISDA Publishes Recommendations for CCP Recovery and Resolution Framework**

**WASHINGTON, DC, September 18, 2017** – The International Swaps and Derivatives Association, Inc. (ISDA) has published recommendations for a comprehensive recovery and resolution framework for central counterparties (CCPs).

The recommendations appear in a new paper that sets out the appropriate next steps for CCP resilience, and for implementing robust, unambiguous and predictable recovery and resolution mechanisms. The paper – [\*Safeguarding Clearing: The Need for a Comprehensive CCP Recovery and Resolution Framework\*](#) – builds on the work conducted by the Committee on Payments and Market Infrastructures (CPMI), the International Organization of Securities Commissions (IOSCO) and the Financial Stability Board (FSB), and calls on regulators to finalize and implement CCP recovery and resolution strategies.

Cleared volumes have increased significantly in recent years, with 76% of interest rate derivatives notional outstanding now cleared, according to the Bank for International Settlements. While the largest global banks and their clearing member units have become much more resilient since the financial crisis by increasing capital by an estimated \$1.5 trillion – which reduces the likelihood of distress at a CCP – comprehensive resilience, recovery and resolution strategies are still critically important to ensure the stability of the cleared market and the financial system as a whole.

“We urge regulators to continue to work together to finalize and implement clear and predictable recovery and resolution strategies and ensure CCP resilience. These recommendations should serve to strengthen CCP oversight, and serve as a global and trusted foundation on which regulators can reliably base equivalence decisions,” said Scott O’Malia, ISDA’s Chief Executive.

The recommendations are:

- A resolution regime for CCPs should indicate a time at which resolution could commence, but should allow flexibility for recovery to continue beyond that time.
- Clearing participants should have maximum transparency regarding the key elements of, and triggers for, a CCP resolution.
- Subject to safeguards, variation margin gains haircutting could be used to allocate losses at the end of a CCP’s default waterfall.
- Subject to safeguards, partial tear-ups (PTUs) could be used to rebalance a CCP’s book if an auction or similar voluntary mechanism fails to do so.

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- CCP assessments on clearing members must be capped in aggregate across recovery and resolution.
- Initial margin haircutting should never be permitted.
- Forced allocation of positions to non-defaulting clearing members should never be permitted.
- Clearing participants suffering losses beyond a certain point in a CCP recovery or resolution must receive claims that position them senior to existing CCP equity holders.
- It is appropriate for clearing participants to bear at least a portion of some non-default losses, but CCPs and their shareholders must bear the risk of non-default losses that are solely within their control.
- Access to liquidity from central banks on standard market terms is necessary to support CCP recovery and resolution.

Click [here](#) to read the full paper.

**For Press Queries, Please Contact:**

Nick Sawyer, ISDA London, +44 203 808 9740, [nsawyer@isda.org](mailto:nsawyer@isda.org)

Michael Milner-Watt, ISDA London, +44 203 808 9727, [mmilner-watt@isda.org](mailto:mmilner-watt@isda.org)

Lauren Dobbs, ISDA New York, +1 212 901 6019, [ldobbs@isda.org](mailto:ldobbs@isda.org)

Amanda Leung, ISDA Hong Kong, +852 2200 5911, [aleung@isda.org](mailto:aleung@isda.org)

**About ISDA**

Since 1985, ISDA has worked to make the global derivatives markets safer and more efficient. Today, ISDA has over 875 member institutions from 68 countries. These members comprise a broad range of derivatives market participants, including corporations, investment managers, government and supranational entities, insurance companies, energy and commodities firms, and international and regional banks. In addition to market participants, members also include key components of the derivatives market infrastructure, such as exchanges, intermediaries, clearing houses and repositories, as well as law firms, accounting firms and other service providers. Information about ISDA and its activities is available on the Association's website: [www.isda.org](http://www.isda.org).

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