



5 July 2017

## **Cover Note to the CPMI-IOSCO revised report on *Recovery of financial market infrastructures (2017)***

### **Background**

The Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO) (the “Committees”) have today published further guidance on the principles and key considerations in the *Principles for financial market infrastructures* (PFMI) that relate to recovery planning for financial market infrastructures (FMIs). This builds on a consultative report that was published on 16 August 2016 ([www.bis.org/cpmi/publ/d149.pdf](http://www.bis.org/cpmi/publ/d149.pdf) and [www.iosco.org/library/pubdocs/pdf/IOSCOPD539.pdf](http://www.iosco.org/library/pubdocs/pdf/IOSCOPD539.pdf)). This further guidance on FMI recovery is a revision of the October 2014 *Recovery of financial market infrastructures* report (the “2014 Recovery Report”), and is available at [www.bis.org/cpmi/publ/d162.htm](http://www.bis.org/cpmi/publ/d162.htm) and [www.iosco.org/library/pubdocs/pdf/IOSCOPD569.pdf](http://www.iosco.org/library/pubdocs/pdf/IOSCOPD569.pdf).<sup>1</sup>

In addition, the Financial Stability Board (FSB) has also published today its *Guidance on Central Counterparty Resolution and Resolution Planning* (the “[Resolution Guidance](#)”).

### **Scope and purpose of the guidance**

The revised report is intended to strengthen CCPs’ recovery arrangements by providing guidance on the principles and key considerations in the PFMI regarding recovery, and building on the 2014 Recovery Report, as consistent with the priorities regarding CCP resilience identified in the joint CCP Workplan of the FSB, the CPMI, IOSCO and the Basel Committee on Banking Supervision. While the revisions in the report have been motivated by consideration of the recovery arrangements of CCPs specifically, the guidance is relevant for all types of FMIs.

The CPMI and IOSCO note that the detail and granularity of the guidance should be understood in the context of the principles-based approach reflected in the PFMI, which recognises FMIs’ differing organisations, functions and designs, and the different ways to achieve a particular result. The guidance is not intended to create additional standards for FMIs, or authorities, beyond those set out in the PFMI. The report should be read in conjunction with the relevant principles, key considerations and explanatory notes in the PFMI. The guidance provides clarity on an acceptable way – although it does not prescribe what is necessarily the only way – of observing the PFMI. Each CCP, in conjunction with the authorities responsible for its regulation, supervision and oversight, should carefully take into account the guidance in this report when developing its approach to meeting the PFMI.

### **Inputs to the revised guidance**

In developing this revised guidance, the CPMI and IOSCO considered input from:

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<sup>1</sup> A redline version of the revised report is available upon request to [cpmi@bis.org](mailto:cpmi@bis.org) or [inforecovery@iosco.org](mailto:inforecovery@iosco.org).



1. Industry workshops (conducted both before and during the consultation).
2. Papers submitted by industry groups.
3. A stocktaking of current CCP recovery planning practices in place at more than 30 CCPs clearing securities and derivatives products in exchange-traded and OTC markets, representing a wide range of geographic locations, sizes, organisational structures, ownership structures and markets.
4. Findings from the Committees' Level 3 assessment of recovery planning practices for a selected group of CCPs.
5. Comments submitted in response to the consultative report on resilience and recovery of central counterparties ([www.bis.org/cpmi/publ/comments/d149/overview.htm](http://www.bis.org/cpmi/publ/comments/d149/overview.htm) and [http://www.iosco.org/publications/?subsection=public\\_comment\\_letters](http://www.iosco.org/publications/?subsection=public_comment_letters)).

The Committees would like to express their appreciation to the industry participants in this process, who responded to the Committees' CCP surveys and provided detailed and thoughtful comments, on schedules that were particularly demanding.

The Committees have also coordinated closely with the FSB to ensure consistency between the revised guidance on FMI recovery and the Resolution Guidance.

## **Main changes in the report in response to the public consultation**

CPMI and IOSCO have carefully considered the comments received on the consultative report on CCP resilience and recovery of CCPs. In response to these comments, additional clarifications have been provided in four areas:

- a) Operationalisation of the recovery plan;
- b) Replenishment;
- c) Non-default related losses; and
- d) Transparency with respect to recovery tools and how they would be applied.

A number of comments submitted during the market consultation concerned matters that had already been well addressed in the 2014 Recovery Report, including for instance in relation to the need for comprehensive tools to address uncovered losses and liquidity shortfalls. Accordingly, no additional changes have been introduced in respect of these matters.

More generally, it is important to emphasise that the entirety of the 2014 Recovery Report continues to be fully applicable, including the sections of the report that have not been amended.

## **Ongoing and further work**

The CPMI and IOSCO would like to stress once again the importance of having robust and comprehensive recovery plans for CCPs and other FMIs. In this respect, work is in progress to examine the state of recovery planning in a sample of 19 CCPs.

The CPMI and IOSCO have also agreed that follow-up work should be conducted in the area of good practices for CCPs' default management auctions.