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CCP Recovery and Resolution: Desired Outcomes Relating to Entering (and Managing) Resolution



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General

- 1) Regional and national authorities should implement international standards as closely as possible and refrain from extraterritoriality to enhance the likelihood of cross-border cooperation in global markets.
- 2) Recovery should be given every chance of success in the interests of maintaining the stability of the wider system. Resolution Authorities should not interfere with or override the CCP's recovery process.
- 3) Resolution should only be triggered if necessary to provide continuity of clearing processes and market stability once all recovery measures have been exhausted.
- 4) Resolution Authority processes should be well defined in advance, transparent and established under relevant law or regulation to avoid ambiguity and avoid exacerbating a stressed situation.
- 5) There will be significant nuances and specificities of each stress event. Hence it is unreasonable to expect a single resolution strategy that will effectively manage all potential stress scenarios.

Planning

- 6) Continuity of payment, clearance and settlement services must be the primary objective given the systemic importance of the functions they provide. In particular:
 - a. Steps should be taken to ensure recovery and resolution activities do not interrupt the continued availability of liquidity;
 - b. Reliance should be placed – wherever possible – on the CCP's pre-existing loss allocation and risk management practices to provide certainty and predictability to the market;
 - c. CCPs should retain the responsibility to design and apply the rules for their individual recovery (in consultation with their primary regulators);
 - d. Resolution Authorities should work with regulators and distressed CCPs through market events to ensure the identification of the most appropriate resolution trigger whilst also monitoring participant behaviour to ensure they act appropriately.

Cross Border and Co-Operation Arrangements

- 7) Roles and responsibilities of relevant market and regulatory stakeholders should be clear to ensure all are appropriately incentivised to act in the best interests of the market.
- 8) Practical engagement and simulated exercises should be performed, and clear information sharing channels implemented, by relevant authorities to ensure fast action and decision making in a live market event.
- 9) The resolution of a CCP should be led by the Resolution Authority of the jurisdiction in which the CCP is established. This leadership should be in close consultation with the CCP's home supervisory and prudential regulators to ensure appropriate information and decision making.
- 10) Resolution Authorities should work together and in unison to seek solutions in the interests of the market.

Desired Outcomes to be read in conjunction with WFE Position Paper:

[The Interplay Between CCP Recovery and Resolution: A Global Perspective](#)