



HM Treasury

Expanded Resolution Regime

Central Counterparties

Government Response to Consultation

March 2022



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ISBN: 978-1-911686-79-8 PU: 3204

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Executive summary

- i. On 24 February 2021, HM Treasury published the consultation document, 'Expanded Resolution Regime for Central Counterparties (CCPs)'. The consultation ran from 24 February 2021 to 28 May 2021, and the government received 14 written responses. During the consultation period, the government also ran a number of engagement sessions, alongside the Bank of England ("the Bank"), to ensure stakeholders were given the opportunity to engage directly with HM Treasury on the proposals. The summary below reflects both the verbal responses provided in these sessions, as well as the written responses to the consultation.
- ii. The consultation sought views on the proposed expansion of the resolution regime for CCPs, which would provide the Bank with new powers and greater flexibility to resolve a CCP in the event of its failure. In particular the consultation asked stakeholders for views on proposals relating to:
 - General resolution powers, including powers to place a CCP into resolution and the power to rematch a CCP's book
 - Loss-allocation powers
 - No Creditor Worse Off (NCWO) Safeguard
 - Second tranche of skin in the game
 - Other powers (including compensation arrangements)
- iii. Overall, respondents welcomed the proposed expansion of the UK resolution regime for CCPs and were broadly in agreement with the proposed framework, noting that it was in line with international guidance. As explained more fully in the paragraphs below, comments were made seeking clarity about how proposed powers would work in practice, and some respondents raised concerns about the proposed loss-allocation powers and the impacts these could have on CCPs and their clearing members. Comments were also made on the time needed to implement the new regime, and further information was sought on when the government would bring forward legislation to implement the regime.

Chapter 1

Introduction

Policy Background

- i. CCPs are a type of Financial Market Infrastructure (FMI) that provide more certainty that specific types of financial contracts, including derivatives, will, if cleared through the CCP's services, be honoured if one of the counterparties to a trade were to default. This helps to ensure that financial markets are both safer and more efficient. In the UK, CCPs are supervised by the Bank which is also the UK's resolution authority (RA).
- ii. Given the significance of CCPs to the resilience of the financial system, it is important that there is a robust regime for their recovery (the process by which a CCP manages the default of one or more of its members or losses arising for other reasons) and resolution (the process by which the Bank can intervene if recovery fails, or continued recovery action by the CCP would likely compromise financial stability).
- iii. The Financial Stability Board (FSB) has consulted and issued guidance on how best to implement an effective CCP Resolution regime. In October 2014, the FSB published 'Key Attributes of Effective Resolution Regimes for Financial Institutions'. In 2017 and 2020 the FSB issued further specific CCP guidance, entitled 'Guidance on Central Counterparty Resolution and Resolution Planning' and 'Guidance on Financial Resources to Support a CCP Resolution and of the Treatment of CCP Equity in Resolution', which was designed to supplement existing guidelines.
- iv. The UK has an existing resolution regime for CCPs, which was legislated for through the Financial Services Act 2012 and came into force in 2014. As the UK was one of the first jurisdictions to legislate to establish a CCP resolution regime, the current regime pre-dates the most recently agreed FSB guidance. The current regime provides the Bank with stabilisation options to: (a) transfer to a private sector purchaser all or part of the CCP's business; (b) transfer to a bridge institution all or part of the CCP's business; or (c) transfer the ownership of the CCP to any person. CCP rulebooks contain many of the additional tools the Bank would require to resolve a CCP in a way that limits risks to financial stability, should it need to intervene and resolve a CCP. However, the Bank is currently limited in how it can use these by the parameters of the rulebook, which differ

across CCPs and the services that they provide. The process by which the Bank would be able to use rulebook powers is also constrained by its need to use a transfer power before it can use rulebook powers (which can be time consuming and involve further risks to financial stability). Therefore, the Bank does not have the flexibility it requires to resolve a CCP in the most efficient way, and thereby limit potential risks to public funds in a resolution scenario as effectively as it could.

Summary of policy proposals

- i. An expanded resolution regime for CCPs would provide the Bank with additional powers to mitigate the risk and impact of a CCP failure, and the subsequent risks to financial stability and public funds. These powers would also close the gaps against international guidance as described in the above section.
- ii. These new powers would help to better protect financial stability by enabling the Bank to take full control of a CCP when necessary and use a number of tools without reliance on the CCP's rulebook. This would mean the Bank could take faster and more extensive action to stabilise the CCP than it can now. These powers would also limit risks to public funds by seeking to ensure CCPs and clearing members bear the losses arising from a CCP failure, rather than taxpayers, whilst still stabilising the CCP, preventing the CCP's failure from having a wider negative impact on the stability of other firms, and providing reassurance to the market.
- iii. Consistent with FSB guidance, the tools would also be designed to balance the incentives of clearing members and CCP shareholders to encourage appropriate risk management and behaviour ahead of, and during, a resolution. The tools would include, for example, a requirement for cash contributions from clearing members in resolution, a tool to write down unsecured liabilities, and a requirement for there to be an additional tranche of a CCP's own capital (or "skin-in-the-game") to absorb losses.
- iv. To provide additional protection for creditors, a provision would also be included to compensate CCP shareholders, clearing members and other creditors if they are left worse off in a resolution than if the CCP were to enter insolvency (the "No Creditor Worse Off", or "NCWO", safeguard). This provides additional incentives for clearing members to continue to centrally clear, as well as helping to ensure the Bank carries out its resolution action in line with its objectives.
- v. The government's main objectives when designing the expanded regime are to preserve the stability of the UK's financial system and the economy, and ensure the UK remains a world leader for the regulation of clearing services, whilst also protecting taxpayer money. Consistent with the legal objectives in the Banking Act 2009 this approach is guided by several intertwining principles:
 - a. Ensuring the continuity of clearing services
 - b. Protecting and enhancing the stability of the financial system of the UK.
 - c. Protecting and enhancing public confidence in the stability of the financial system of the UK.
 - d. Protecting public funds.
 - e. Avoiding interference with property rights.
 - f. Ensuring consistency with international standards including FSB guidance.

Chapter 2

Consultation summary and government response

General powers

Entry into resolution

- i. A number of respondents asked for further clarification on how the Bank envisages it would determine when a CCP would be placed into resolution on financial stability grounds. As detailed in the consultation paper, the proposed regime would introduce an additional trigger for entry into resolution to operate alongside the existing conditions set out in sections 7 and 8 of the Banking Act 2009. This condition will only come into consideration where condition one is already met, meaning that the CCP must already be failing, or likely to fail. Beyond this condition, a CCP could meet the financial stability trigger as a result of numerous varying circumstances, not all of which can be predicted with a high level of certainty. However, the Bank intends to set out publicly a high-level decision-making framework and indicative guidelines for placing a CCP into resolution on these grounds. This new trigger will also be included within HMT's Special Resolution Regime (SSR) code of practice, which there is a legal duty for the UK authorities to have regard to. In addition, when developing a CCP's individual resolution plans, the Bank will communicate potential triggers to the CCP, to ensure it has the information it needs to be able to perform appropriate risk management.
- ii. Some respondents commented on the potential interaction between existing recovery arrangements in CCPs' rulebooks and the proposed new entry into resolution trigger. One respondent specifically asked if the Bank would honour ex-ante provisions for loss allocation that exist within rulebooks when taking its decision to place a CCP into resolution. When taking this decision, the Bank will have regard to the existing recovery arrangements and will follow these arrangements, deviating where necessary or desirable to meet its resolution objectives. The decision to use any resolution tools, and the time at which to use them, will require the Bank to make a judgement-based decision when the scenario arises. That judgement will depend on, among other factors, the CCP and the nature of the failure and recovery tools already applied. The Bank will need to ensure that it is able to meet its statutory objectives to enable the

continuation of critical clearing services and protect stability of the wider financial system, and in some circumstances, a deviation from recovery plans may therefore be required.

Lockdown or deferral of payment of dividends, buybacks or variable remuneration

- i. In relation to the proposal to lockdown or defer payment of dividends, buybacks or variable remuneration, some respondents asked for further clarity on the timing or circumstances in which restrictions could be implemented, and the duration of restrictions. As set out in the consultation, this proposal would introduce the ability for the Bank to use this power pre-resolution in a range of severe circumstances, including if there is a significant deterioration in the financial situation of the CCP and it was therefore at risk of failing. However, during resolution there would not be any conditions on the use of this power, as the statutory conditions for entering resolution would have already been met.

Stay on termination rights

- i. Some respondents also asked for clarification on the scope of the proposed power to suspend termination rights. It is important to note that there are two provisions which are relevant when considering the termination rights under a contract with a CCP in resolution. The first, the 'excluded termination right' provision, does not, in itself, suspend a contractual right to terminate. It merely clarifies that the occurrence of certain resolution related actions do not constitute an event which can trigger termination under the specified contractual arrangements with the CCP. The second provision, the 'stay on termination' provides that, if, however, a termination right is triggered, then a limited stay can be imposed by the RA.
- ii. Both of these provisions are conditional on the CCP continuing to meet its payment and delivery obligations, including collateral transfers, when due in accordance with its rules or other contractual arrangements, but subject to any application of loss allocation to margin or collateral under the rules of the CCP or through the exercise of statutory loss allocation powers. The proposals consulted on were in relation to the contractual arrangements between a CCP and its clearing members (CMs) (that is, in relation to a CM's termination rights under its participation agreement with the CCP).
- iii. However, in light of the responses, and consistent with the FSB Key Attributes, the government has concluded that the excluded termination rights and stay on termination rights powers for the Bank in the CCP resolution regime should largely mirror the provisions in Section 48Z and Section 70C of the Banking Act 2009. The scope of the stay will also be extended to cover suspension of obligations and restriction of security interests, as mirrored by Section 70A and Section 70B of the Banking Act. These more closely reflect international

guidance and would assist the Bank in the management of a CCP resolution and are likely to be already familiar to market participants both generally and in terms of close-out netting.

Power to remove and replace directors and senior executives and to appoint temporary managers

- i. One respondent also asked for greater clarity around the power to remove and/or replace senior management, and the role of the CCP's senior management team during, and after, a resolution has taken place. Pre-resolution, the use of the power would be subject to conditions, including if there is a deterioration in the financial situation of the relevant firm, or an infringement by the relevant firm of a relevant requirement, and if it is not likely that the deterioration can be addressed by action taken by the appropriate regulator. However, where this condition is not met the Bank will work alongside and in conjunction with the existing senior management team in order to produce the most effective outcome. The Bank's powers in resolution will mirror the provisions in the Banking Act 2009.

Power to return a CCP to a matched book (tear up powers)

- i. Some respondents asked for further clarification on how tear up powers, in order to return a CCP to a matched book, would be used and how the contracts subject to the partial tear up would be allocated a value, and whether the use of this tool would be subject to the NCWO safeguard. Some respondents noted that they would prefer partial tear-up powers to be limited in time or restricted to the minimum set of transactions, and that a full tear up of contracts should not be considered. As set out in the consultation, the Bank would be provided with the powers to conduct either a partial or full tear-up of contracts in order to rematch a CCP's book, alongside using loss-allocation tools in a default loss scenario. The Bank will always seek to ensure that tear ups are conducted in a fair, transparent and non-discriminatory manner. As such, the torn-up contracts will be cash settled at a commercially reasonable price (reflecting the state of the market) at the moment of tear-up in resolution. The Bank will always seek to apply these powers to the smallest portion of illiquid contracts consistent with delivering on its resolution objectives and would therefore expect to use the proposed partial-tear up power in any resolution scenario, rather than the full tear-up power. As with all other resolution tools, these powers will be subject to the NCWO safeguard to ensure that clearing members are not left financially worse off as a result of the use of the tool. Therefore, although there is no time limit on the use of this tool, the NCWO safeguard will ensure that tear up powers do not result in a greater overall loss to a party than it would have borne if the CCP had gone into insolvency.

- ii. One respondent also suggested that HMT could consider conferring a 'forced allocation tool' on the Bank, as opposed to tear up tools, in order to restore a CCP to a matched book. A forced allocation tool would force clearing members to take on new risk positions and perform on any obligations to the CCP arising from these. This may involve clearing members taking on risk exposures that exceed their risk appetite or which may place them under stress. Within their international guidance on CCP resolution, the FSB suggests that forced allocation should only be used where no other option would likely result in a better outcome for financial stability. Other consultation respondents also noted that a forced allocation tool would be the least supported matched book option of those included in the FSB guidance. The government therefore does not propose to include a forced allocation tool in the CCP resolution regime.

Loss Allocation Tools

- i. Most respondents were broadly content with all the proposed loss allocation tools. Some respondents raised particular support for the proposal to introduce a larger cash call in a non-default loss (NDL) scenario, instead of the use of Variation Margin Gains Haircutting (VMGH) in this scenario.
- ii. However, some respondents raised concerns that loss allocation tools place unfair and disproportionate financial burdens on clearing members and their clients. It is important to note that the use of loss allocation tools in resolution does not introduce new material losses. These tools merely enable the Bank to manage the losses that would already exist if a CCP were to enter insolvency in the most efficient way, and where possible, minimise these losses. The tools also seek to balance losses in the fairest and most efficient way to ensure that CCPs and clearing members ultimately bear the costs of a CCP failure, rather than the taxpayer. Finally, it should also be noted that the NCWO safeguard, which is further detailed below, effectively limits the overall losses borne by a party in the event that resolution action is taken. The government therefore concludes that it is right to keep these tools within the proposed CCP resolution framework.

Variation Margin Gains Haircutting

- i. Some respondents raised specific concerns about the use of VMGH as a loss allocation tool and asked if the use of this tool would be limited by time or capped by quantum. The government recognises the concerns that some respondents have about the use of this tool. However, it should be noted that, first, VMGH would only be available for use in a default loss scenario and second, as with the use of all tools, clearing members' overall losses are capped by the NCWO safeguard.

Cash Calls

- i. Some respondents asked why the quantum cap for statutory cash calls is higher in non-default than for default-losses. In a default loss scenario, it is proposed that a clearing member's contribution under the statutory tool should be limited to a maximum of two times that clearing member's default fund contribution (excluding contractual cash call contributions). However, in a non-default loss scenario, a clearing member's contribution should be limited to a maximum of three times that clearing member's default fund contribution (also excluding contractual cash call contributions). As detailed in the consultation paper, the government recognises some stakeholder concerns over the use of VMGH in non-default loss scenarios, and therefore the proposals do not permit the Bank to use this tool during a NDL scenario. However, in order to ensure that

sufficient loss allocation is still available for resolution in a NDL scenario, there is a higher cap on cash calls for use in this scenario.

- ii. A small number of respondents did not support granting the resolution authority statutory powers to make cash calls beyond the CCP's rulebooks. Some of these responded that, to the extent that such statutory powers should be available, they should also be subject to a specific, ex-ante statutory limit. As with all resolution tools, the use of cash calls will be subject to the NCWO safeguard. In a default loss scenario, and in a NDL scenario, this counterfactual is insolvency of the CCP following full application of the CCP's rulebook. Accordingly, as a result of the NCWO safeguard, the loss allocated to a clearing member in a CCP resolution, should not, ultimately, exceed the loss it would have borne under the counterfactual. Therefore, if the resolution authority makes the decision to conduct cash calls, the NCWO safeguard will ensure that creditors are not left financially worse off as a result of the use of this tool. It is also important to note that that resolution cash calls will be explicitly capped, not just by virtue of the NCWO safeguard. In a default loss scenario, a clearing member's contribution should be limited to a maximum of two times that clearing member's default fund contribution. In a non-default loss scenario, a clearing member's contribution should be limited to a maximum of three times that clearing member's default fund contribution.

Writing down liabilities

- i. Some respondents asked for further clarity on how limits would be applied to the power to write down default fund contributions in a NDL scenario. One respondent also asked whether the government intended to extend write downs to "problematic" liabilities such as claims for damages. As set out in the consultation, the government intends to write down certain liabilities, such as default fund contributions. The government will set out exclusions from this power in legislation.

Recapitalising a CCP

- i. The expanded regime would allow for the Bank to use loss allocation tools to recapitalise a CCP to enable it to maintain capital requirements for provision of clearing services. Some respondents suggested that these tools should not be used to recapitalise a CCP beyond its minimum regulatory requirements (as detailed in Article 16 of EMIR). However, in order to fulfil one of the key resolution objectives (to protect the continuity of critical clearing services), it is important to ensure the CCP's resources are replenished to a level sufficient to allow for this to happen. Therefore, recapitalisation of the CCP will also include Skin in the Game (SITG) and Second Skin in the Game (SSITG) requirements. Contributions used to recapitalise a CCP will continue to be subject to the NCWO safeguard.

Power to delay enforcement

- i. A number of respondents also asked for further details on the conditions for the use of power to delay enforcement of a clearing member's obligations in resolution. This power would enable the Bank to delay one or more clearing members' obligations for up to 18 months after resolution. This would allow the Bank to avoid imposing obligations where this could pose a risk to financial stability, for instance, it could be appropriate to use this tool should a clearing member be unable to meet its resolution cash call obligations due to short-term liquidity problems.
- ii. When considering whether to defer enforcement of an obligation, the Bank should have regard to the wider implications of action, such as the impact of enforcement on the clearing member; the impact on non-enforcement on other clearing members; whether non-enforcement (i.e., assuming no subsequent enforcement) would create a material risk of public funds being required, among other considerations. The Bank will also be required to consult with HMT before deferring a clearing member's obligation.
- iii. One respondent asked for further clarity on whether application of the delayed enforcement tool would be covered by the NCWO safeguard, such that any parties not benefitting from the suspension, but who incur additional costs as a result of its application, are eligible for compensation. As with all resolution tools, enforcement would be subject to NCWO, and any claims for compensation under a resolution scenario would be assessed against the proposed counterfactual.

No Creditor Worse Off Safeguard

- i. Respondents were generally very supportive of the proposed NCWO safeguard and its scope (including the proposals to exclude indirect costs from the NCWO counterfactual). A number of respondents asked for greater clarity on how the counterfactual would be calculated and for more detail on how the safeguard would work in practice. Further information on the counterfactual calculation will be set out publicly by the Bank in due course. However, as already detailed in the consultation, the expected approach is for the counterfactual to only include direct costs, which will provide a higher protection for clearing members by reducing the maximum loss they could experience, under the counterfactual, as well as provide greater predictability around how losses will be allocated in resolution.
- ii. Some respondents also asked for further information about the modalities that could be used for compensation. Some respondents commented that compensation in the form of a share of future profits or equity in a CCP might not be appropriate for all types of creditor. In general, the Bank recognises that not all forms of compensation may be appropriate for all creditors, and for this reason the legislation will not include an exhaustive list of compensation options.
- iii. One respondent suggested that clearing members should be mandated to pay clients any relevant compensation received in consideration of client-funded loss allocation. Under the government's proposals, any compensation resulting from the NCWO safeguard will be allocated to clearing members. The decision to provide clients with compensation is one which would be made by individual clearing members, and this decision should be based on their own contractual agreements with their clients.
- iv. Some respondents suggested that there should be no compensation beyond the NCWO principle. Some were concerned that any decoupling of compensation from the NCWO principle could harm incentive structures and weaken clearing members' incentives to commit to support a CCP recovery, increasing the likelihood of CCP resolution. Here it is important to recall that the NCWO safeguard protects creditors from incurring losses in excess of the loss they would have incurred outside of resolution, but it does not protect from loss. Therefore, it is possible for creditors to incur losses in resolution without triggering NCWO protection. In that instance, if there are assets available to the resolution authority to distribute post-resolution, the resolution authority will have the ability to compensate parties who have borne losses, up to (but not over) the level of loss they bore. However, the availability and quantum of compensation will be situation dependent and may not occur in every resolution scenario. Therefore, it seems unlikely that this could have a material impact on incentive structures given there is no guarantee that compensation beyond the NCWO safeguard would be available post-resolution.

Second Tranche of “Skin-in-the-Game” (SSITG)

- i. There was a variety of responses to the proposal to introduce a second tranche of CCP capital, ‘second skin in the game’ (SSITG), to be used for loss absorbency. Some respondents welcomed the introduction of SSITG, with suggestions on how this should be calculated. Other respondents were less supportive, suggesting that CCPs already conduct effective risk management.
- ii. Some respondents asked for further detail on how the quantum of SSITG was expected to be calculated. Some also suggested that the calculation of SSITG should take into account a range of factors such as the relative risk of the CCP’s activities i.e. nature and complexity of trades being cleared, as well as the structure and internal organisation of the CCP. Some respondents suggested various methodologies and approaches for calculating this quantum. As with the first tranche of SITG, the Bank will have the ability to set the quantum of SSITG that CCPs will be required to hold and will take relevant factors such as the CCP’s risk-based capital requirements into account. The Bank will provide further detail on how the quantum is expected to be calculated in due course.
- iii. Some participants asked where SSITG would sit in the default waterfall. SSITG will sit after the default fund but before cash calls, so that it is used before any resources which are not pre-funded.
- iv. Some respondents suggested that SSITG could place an unjustified burden on CCPs. The government recognises that UK CCPs already conduct robust risk management but considers that with the introduction of statutory tools which enable losses to be allocated to clearing members, there must also be a statutory mechanism to allocate losses to CCPs. This is important both to balance incentives and to ensure fairness in how losses are allocated between both CCPs and clearing members. The government also notes that the introduction of SSITG is in line with 2020 FSB guidance which suggests that the requirements for CCP rulebooks may be amended to expose the entire equity, or a larger portion thereof, to loss in one or more tranches during the contractual loss-allocation process.¹
- v. Some respondents provided comments in relation to the first tranche of skin in the game, in particular suggesting that the quantum be increased. The quantum of the existing tranche of SITG is set by the Bank (in its role as supervisor and regulator of CCPs) and makes up part of the CCP’s prefunded resources. There are no plans to change the framework for the existing tranche of SITG in this legislation. The Bank has existing powers to make UK technical standards regarding the quantum of the first tranche of SITG. The government will ensure

¹ [Guidance on Financial Resources to Support CCP Resolution and on the Treatment of CCP Equity in Resolution - Financial Stability Board \(fsb.org\)](https://www.fsb.org/2020/04/guidance-on-financial-resources-to-support-ccp-resolution-and-on-the-treatment-of-ccp-equity-in-resolution/)

that the Bank has appropriate powers to set the quantum of a second tranche of SITG.²

² The government is consulting on how the UK's regulatory framework for CCPs will operate in the future, as part of the Future Regulatory Framework (FRF) review. This includes a proposal for the Bank to have a general rule-making power over CCPs and have prime responsibility for setting regulatory requirements for these entities. However, the FRF proposal would not include any general rule-making power granted to the Bank as resolution authority and is therefore not relevant to any of the other powers within this proposal

Other comments

Resolution plans

- i. Some respondents asked for the Bank to provide more clarity on how it expected to use its new powers in practice, with some asking the Bank to publish resolution plans to provide stakeholders with greater certainty on the expected use of resolution tools. The government and the Bank both support transparency and providing stakeholders with predictability where possible. However, the expanded regime is designed to provide the Bank with the appropriate flexibility required in a fast burn resolution scenario. Whilst resolution plans can detail a 'preferred path', the specifics of the individual resolution may call for a deviation to the plan in order for the Bank to meet its statutory objectives. The Bank will work very closely with CCPs when designing plans and will aim to provide as much predictability as possible to stakeholders to enable them to conduct robust risk management. It should also be noted that where complete predictability cannot be provided, the NCWO safeguard should help to provide assurances that regardless of the tools used in a resolution scenario, creditors will not be left financially worse off as a result of resolution action.
- ii. Some respondents suggested amendments to the existing recovery framework for CCPs. Whilst there is an interaction between recovery and resolution, as referred to in the 'entry into resolution' section, the focus of our proposals is to expand the Bank's powers during the resolution of a CCP. There are currently no plans to change the requirements for recovery plans. However, it should be noted that HM Treasury is consulting separately on reforming how the UK's regulatory framework for CCPs will operate in future. These reforms will not affect the Bank's role as a resolution authority but do include proposals to transfer to the Bank greater responsibility for setting requirements on CCPs (including requirements related to recovery) in line with broader changes to the UK's regulatory framework proposed in the FRF Review.

Application to, and consideration of, foreign jurisdictions

- i. Some respondents suggested that the legislation should require the resolution authority to have due regard to financial stability implications for third countries when resolving a CCP. The government recognises the importance of taking into account the implications that resolution action may have for the financial stability of other jurisdictions, particularly given the global nature of UK CCPs. It is important to note that the expanded resolution regime for CCPs will apply to UK CCPs and, within its statutory obligations, the Bank is responsible for protecting financial stability in the UK. The proposals consulted on are separate to the Government's consultation on changes to the Bank's objectives (as regulator and supervisor of CCPs) as part of the Future Regulatory Framework Review, which includes a proposal for the Bank (as regulator and supervisor of

CCPs) to have regard to the potential effects on the financial stability of other countries in which UK CCPs operate or provide services. In addition, as demonstrated in numerous ways such as through participation in and hosting of international Crisis Management Groups (CMGs) for CCPs, the Bank recognises and considers the potential impact of any action by it with regards to CCP resolution on wider global financial stability.

- ii. The Bank also recognises that UK CCPs and the wider UK financial system are globally interconnected, and it is also in the interest of its statutory objective (to protect UK financial stability) to consider the potential effect its actions may have on the financial stability of other jurisdictions and how this may impact the UK.
- iii. Some respondents also asked whether the expanded resolution regime for CCPs would be applicable to foreign CCPs operating in the UK. The expanded regime would only be applicable to UK based CCPs, and foreign CCPs operating in the UK would be expected to adhere to their home jurisdiction's recovery and resolution frameworks.
- iv. Some respondents also suggested that the expanded regime should include a power for the Bank to recognise resolution actions taken in respect of CCPs from foreign jurisdictions. As is the case with powers already granted to the Bank, as resolution authority, within the Banking Act 2009, the Bank will have the power to recognise or refuse to recognise resolution action taken by foreign jurisdictions. Any decision to recognise or refuse to recognise resolution action will require consent from HM Treasury.

Next steps

Implementation timescales

- i. Some respondents asked for clarity on when the government would legislate and implement the expanded regime, and if the government had plans to consult with industry further on any aspects of the regime. The government plans to legislate when parliamentary time allows and will set out further information on plans to legislate in due course. It is the government's intention that, once any legislation is passed, the powers will be made available for the Bank to use as soon as practicable. However, the government and the Bank are keen to ensure industry is given sufficient time and notice to make any necessary changes to accommodate these new powers, such as changes to CCP rulebooks. The government and the Bank will therefore work closely with industry as its legislative plans and timings become clearer to support them to do this. On some aspects of the regime, e.g., SSITG, the Bank will look to consult and engage with industry separately in due course.
- ii. Some respondents asked what the expected implementation timings were for building up SSITG specifically. Implementation timings, for both the whole expanded regime and SSITG specifically, was a question posed to stakeholders during the consultation. Responses generally suggested that the majority of the regime, including changes to CCP rulebooks, could be done within 12 – 18 months. Some suggested that a longer lead in time (of up to 24 months) would be considered appropriate to meet SSITG requirements. The government is considering these responses and will also consult with the Bank and will provide more detailed information on implementation timings in due course. The government recognises that it is important to ensure that the Bank has the tools and powers it needs as soon as possible to ensure it can manage a CCP failure in the most effective way, whilst also ensuring that industry is provided with a reasonable lead in time to make the appropriate changes required as part of the expanded regime.

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