

OTC Derivatives Market Reforms

Tenth Progress Report on Implementation

4 November 2015

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1. Introduction and Executive Summary

FSB member jurisdictions continue to take steps to implement OTC derivatives market reforms.¹

In the few months that have elapsed since the FSB last reported on OTC derivatives reforms in July 2015,² some additional steps have been taken in a small number of jurisdictions to implement frameworks for promoting central clearing of standardised transactions, and for exchange or platform trading of standardised transactions, where appropriate. Overall, 12 jurisdictions have central clearing frameworks in force that apply to over 90% of transactions in their markets, and in eight jurisdictions platform trading frameworks are in force that apply to over 90% of transactions. It is important that all jurisdictions have frameworks in force for assessing when it is appropriate for transactions to be centrally cleared, or executed on organised trading platforms, where appropriate.

Relative to other reform areas, the implementation of capital requirements for non-centrally cleared derivatives has remained most advanced for some time, and there have been no changes in this reform area since the FSB's July 2015 progress report. Most jurisdictions are in the early phases of implementing the BCBS–IOSCO framework for margin requirements for non-centrally cleared derivatives; since July two jurisdictions have proposed standards in this area. Authorities should continue to push forward with implementation of these requirements to ensure the agreed phase-in period commences smoothly in September 2016.

As reported in July, almost all jurisdictions have in force trade reporting requirements covering over 90% of transactions in their markets. Though there are persisting challenges to the effectiveness of trade reporting, such as authorities' ability to access, use and aggregate TR data, progress is being made to address these issues through a number of international workstreams.

International work is also underway to ensure the robustness and resilience of central clearing, and there are ongoing multilateral and bilateral discussions to address cross-border regulatory issues.

The FSB will continue to monitor and report on OTC derivatives reform implementation progress, including the effects of OTC derivatives reforms over time.

¹ In September 2009, G20 Leaders agreed in Pittsburgh that:

“All standardised OTC derivative contracts should be traded on exchanges or electronic trading platforms, where appropriate, and cleared through central counterparties by end-2012 at the latest. OTC derivative contracts should be reported to trade repositories. Non-centrally cleared contracts should be subject to higher capital requirements. We ask the FSB and its relevant members to assess regularly implementation and whether it is sufficient to improve transparency in the derivatives markets, mitigate systemic risk, and protect against market abuse.”

In November 2011, G20 Leaders in Cannes further agreed:

“We call on the Basel Committee on Banking Supervision (BCBS), the International Organization for Securities Commission (IOSCO) together with other relevant organizations to develop for consultation standards on margining for non-centrally cleared OTC derivatives by June 2012.”

² FSB (2015), *OTC Derivatives Market Reforms – Ninth Progress Report on Implementation*, July; available at: <http://www.financialstabilityboard.org/wp-content/uploads/OTC-Derivatives-Ninth-July-2015-Progress-Report.pdf>.

2. Overview of Reform Implementation Progress

As at end-September 2015, almost all FSB member jurisdictions³ reported having the legislative framework or other authority in place to give effect to the full range of the G20's OTC derivatives reform commitments. Implementation is most complete for trade reporting and higher capital requirements for non-centrally cleared derivatives. Frameworks for central clearing of standardised OTC derivatives are in place for 12 of 24 FSB member jurisdictions, and frameworks for exchange or electronic platform trading are in place for eight of 24 jurisdictions. Since July a small number of jurisdictions have initiated public consultation to implement the BCBS–IOSCO framework for margin requirements for non-centrally cleared derivatives; the internationally agreed phase-in of these requirements is not due to commence until September 2016.

For trade reporting, 19 jurisdictions have reporting requirements in force for over 90% of transactions in their jurisdiction.⁴ TRs and TR-like entities⁵ are available to accept transaction reports for at least some sub-products in all asset classes in 14 jurisdictions, and an additional eight jurisdictions have TRs and TR-like entities operating for at least some sub-products in at least one (but not every) asset class. By end-2016 all but two jurisdictions expect to have reporting requirements in force covering over 90% of OTC derivatives transactions. Authorities continue to report challenges concerning the quality and completeness of the data being reported to TRs and the ability to access, use and aggregate this data. The FSB has published a thematic peer review on trade reporting that explores these challenges, and has made several recommendations to address them. CPMI and IOSCO also have work underway to promote more harmonised transaction reporting by developing a framework for global unique trade and product identifiers and other data elements. These workstreams are discussed further in Section 3.

For central clearing, 12 FSB member jurisdictions have in force a legislative framework (or other authority) and central clearing determination standards for over 90% of the OTC derivatives transactions in their jurisdiction. In 19 jurisdictions at least one CCP is authorised to clear at least some OTC interest rate derivative transactions; beyond this asset class, overall availability of CCPs is more limited. As noted in the previous progress report, authorities continue to report some issues in central clearing, including availability of and access to central clearing. Given the G20 commitment that all standardised OTC derivatives transactions should be centrally cleared, a joint workplan has been agreed across relevant international bodies to ensure that CCPs are sufficiently resilient, that they have appropriate

³ In this report, references to FSB member jurisdictions treat European Union member states as individual jurisdictions, notwithstanding that relevant regulatory reforms are mostly being applied at an EU-wide level. This is to be consistent with other FSB implementation monitoring reports being published ahead of the November 2015 G20 Leaders' Summit, as well as reports of other standard-setting bodies. This treatment is in contrast to previous FSB progress reports on OTC derivatives market reforms, where EU member states have been counted as a single jurisdiction. As a result, some numeric statements in this tenth progress report are therefore not directly comparable to previous OTC derivatives progress reports.

⁴ This assessment is based on authorities approximating whether they were above or below this 90% threshold with respect to regulatory coverage. The purpose of including this approximation is to better gauge the extent to which a substantial share of transactions are covered by regulation across jurisdictions.

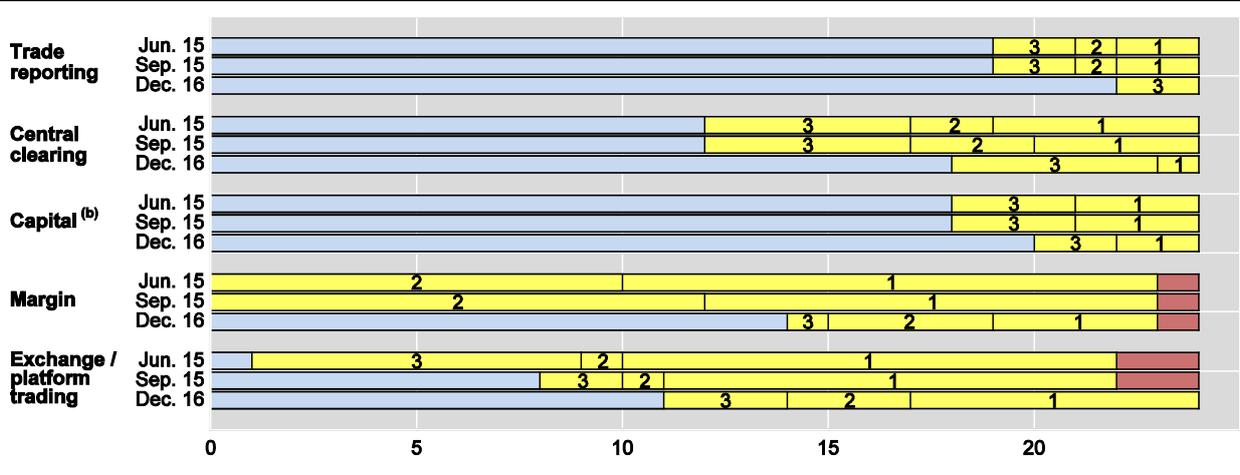
⁵ In some jurisdictions, reporting of OTC derivatives transactions is facilitated by means of an entity, facility, service, utility, government authority, etc. that is not established as an authorised TR but that is used by market participants to report OTC derivatives trade data, or provides TR-like services.

and sufficient recovery plans, and that credible CCP resolution plans are in place. These workstreams are discussed further in Section 4.

Progress on platform trading reforms remains uneven, though in the third quarter of 2015, the EU and Japan joined the US in having in force a legislative framework and determination criteria for platform trading that applies to over 90% of transactions. By end-2016 a further three jurisdictions expect to have platform trading frameworks in force that apply to over 90% of transactions.

Figure 1 below indicates progress since end-2014 and where further progress is currently anticipated by end-2016. Table A below provides an overview of the status of reform implementation in each FSB member jurisdiction as at end-September 2015. For a more detailed discussion on reform implementation steps in jurisdictions, the availability and usage of infrastructure, and implementation issues that have been previously raised by authorities (and which are generally still outstanding at present), please refer to the FSB’s ninth progress report on OTC derivatives reform implementation, published in July 2015.

Figure 1
Regulatory Reform Progress^(a)
 Status across all 24 FSB member jurisdictions



(a) Reforms to jurisdictional frameworks; Dec.16 is jurisdictions’ anticipated status at that date based on current information.

(b) Adoption of Basel III standards for non-centrally cleared derivatives.

For chart legend, see page 5.

Source: FSB member jurisdictions.

Table A
Summary of Jurisdictional Progress of OTC Derivatives Market Reforms

Reforms to jurisdictional frameworks, as at end-September 2015

		Trade Reporting	Central Clearing	Capital	Margin	Platform Trading
Argentina	AR	3	3		1	3
Australia	AU				1	1
Brazil	BR				1	1
Canada	CA		3		2 ⁺	2
China	CN			1	1	3
EU	France	FR			2	+
	Germany	DE			2	+
	Italy	IT			2	+
	The Netherlands	NL			2	+
	Spain	ES			2	+
	United Kingdom	UK			2	+
Hong Kong	HK	3	2 ⁺		1	1
India	IN		3		1	1
Indonesia	ID		3	1	1	1
Japan	JP				2	+
Rep. of Korea	KR		3	3		
Mexico	MX		1	3	1	1
Russia	RU		2		2	
Saudi Arabia	SA		1		1	1
Singapore	SG				2 ⁺	1
South Africa	ZA	2	2		2	1
Switzerland	CH	1	1		1	1
Turkey	TR	1	1	1	1	1
United States ⁶	US			3	2	
TOTALS						
		--	--	--	1	2
1		2	4	3	11	11
2		1	3	--	12	1
3		2	5	3	--	2
		19	12	18	--	8

+ indicates positive change in implementation status from end-June 2015

Margin requirements status for China has been reclassified compared to the ninth (July 2015) progress report

For table legend, see page 5.

Source: FSB member jurisdictions.

⁶ Information regarding the US in the colour-coded tables in this report (including its appendices) reflects the overall progress of US reforms undertaken by multiple regulatory authorities. Note that the CFTC has rules in force with respect to trade reporting, central clearing and platform trading; the estimate of over 90% regulatory coverage is based on the completion of rules by the CFTC, which regulates over 90% of the notional volumes transacted in the US swaps market.

Legend:

	No existing authority to implement reform and no steps taken to adopt such authority.
1	<i>All reform areas:</i> Legislative framework or other authority is in force or has been published for consultation or proposed.
2	<p><i>Trade reporting:</i> Legislative framework or other authority is in force and, with respect to at least some transactions, standards / requirements have been published for public consultation or proposal.</p> <p><i>Central clearing and platform trading:</i> Legislative framework or other authority to implement reform is in force and, with respect to at least some transactions, standards / criteria for determining when transactions should be centrally cleared / platform traded have been published for public consultation or proposal.</p> <p><i>Capital and margins for non-centrally cleared derivatives:</i> Legislative framework or other authority is in force and, with respect to at least some transactions, standards / requirements have been published for public consultation or proposal.</p>
3	<p><i>Trade reporting:</i> Legislative framework or other authority is in force and, with respect to at least some transactions, public standards / requirements have been adopted.</p> <p><i>Central clearing and platform trading:</i> Legislative framework or other authority is in force and, with respect to at least some transactions, public standards / criteria for determining when products should be centrally cleared / platform traded have been adopted.</p> <p><i>Capital and margins for non-centrally cleared derivatives:</i> Legislative framework or other authority is in force and, with respect to at least some transactions, public standards / requirements have been adopted.</p>
	<p><i>Trade reporting:</i> Legislative framework or other authority is in force and, with respect to over 90% of transactions, standards / requirements are in force.</p> <p><i>Central clearing and platform trading:</i> Legislative framework or other authority is in force and, with respect to over 90% of transactions, standards / criteria for determining when products should be centrally cleared / platform traded are in force. An appropriate authority regularly assesses transactions against these criteria.</p> <p><i>Capital for non-centrally cleared derivatives:</i> Legislative framework or other authority is in force and, with respect to over 90% of transactions, standards / requirements are in force.</p> <p><i>Margins for non-centrally cleared derivatives:</i> Legislative framework or other authority is in force and, with respect to over 90% of the transactions covered consistent with the respective WGMR phase in periods, standards / requirements are in force.</p>

3. Trade Reporting

3.1 Jurisdiction reform implementation of OTC derivatives trade reporting

At end-September 2015, the majority of FSB member jurisdictions (19 out of 24) had OTC derivatives trade reporting requirements in force covering over 90% of OTC derivatives transactions in their jurisdictions. This is unchanged since the FSB's ninth progress report on OTC derivatives reform implementation, published in July 2015. By end-2016 all jurisdictions, with the exception of Argentina and South Africa, expect to have trade reporting requirements in force covering over 90% of OTC derivatives transactions. Still, these remaining two jurisdictions expect to have trade reporting requirements adopted with respect to at least some transactions by then. Table B in Appendix A provides more detail on FSB member jurisdictions' progress in this area.

3.2 Availability and use of trade repositories

In 17 FSB member jurisdictions, TRs are authorised and operating for at least one asset class.⁷ At present there are 20 TRs authorised and operating, with the majority of these TRs currently collecting transaction reports for at least some sub-products in all asset classes. As well, in six jurisdictions, government authorities or other TR-like entities are currently collecting OTC derivatives transaction reports. Only two jurisdictions (South Africa and Switzerland) currently do not have TRs or TR-like entities authorised to accept reports in any asset classes within their jurisdiction; this is expected to change as the implementation of reporting requirements in these jurisdictions proceeds in the period ahead. Table G in Appendix B gives more detail on which TRs are currently authorised and operating in FSB member jurisdictions.

3.3 Implementation issues and international workstreams in trade reporting

As trade reporting regimes have been implemented across FSB member jurisdictions, several recurring issues have been identified that are posing challenges in ensuring trade reporting is supporting underlying G20 reform objectives. These include:

- concerns over data quality;
- the capacity to effectively aggregate information across TRs;
- the existence of barriers to reporting complete data to TRs; and
- barriers to authorities' access to TR-held data.

These issues have been acknowledged, with a number of international workstreams underway to address them, as discussed below.

⁷ Authorities use different terms to describe the regulatory status of entities operating in their jurisdictions. For purposes of this report, 'authorised to operate' refers to entities that are under the supervisory or regulatory regime in a jurisdiction through an affirmative regulatory decision regarding an entity or an entity's home jurisdiction, including registering, licensing, or recognising an entity under the jurisdiction's framework or based on any relevant exemptions from the framework (including those based on substituted compliance, recognition, equivalence or reliance). Unless otherwise specified in the report, 'authorised' or 'authorised to operate' as used in this report is meant to include any and all of these possibilities.

3.3.1 FSB peer review on trade reporting

The FSB has recently completed a thematic peer review of OTC derivatives trade reporting.⁸ A key objective of the review was to analyse in detail the extent of trade reporting across FSB member jurisdictions. Consistent with the information presented in the FSB's previous OTC derivatives reform progress reports, the peer review found that comprehensive reporting is in place in the majority of FSB member jurisdictions, in terms of the coverage of transactions that are being reported to TRs. However, reporting is not comprehensive in some jurisdictions, particularly outside the largest asset classes.

The report also examined legal barriers that prevent or hinder the reporting of full transaction information (including counterparty identifying information), and barriers to authorities' access to TR-held data. Based on the findings of the peer review, FSB members have agreed that jurisdictions should address legal barriers to reporting complete information by June 2018, that masking of counterparty-identifying data be discontinued by end-2018 once such barriers are removed, and that by June 2018 all jurisdictions should have legal frameworks in place to permit access to data held in a domestic TR by authorities (whether domestic or foreign), on the basis of these authorities' mandates and in accordance with their domestic regulatory regimes.

Beyond barriers to reporting and authorities' access, the peer review found that there are a number of challenges in the quality and usability of TR-held data. As discussed below, CPMI–IOSCO has work underway which, once completed and adopted, is expected to make significant progress in addressing issues in this area.

To monitor progress on this report's recommendations, FSB member jurisdictions will be asked to report by June 2016 on their planned actions. The FSB will also monitor progress on the peer review recommendations as part of its regular reporting on the implementation of OTC derivatives market reforms.

3.3.2 CPMI–IOSCO working group on data harmonisation

In November 2014, CPMI and IOSCO established a joint working group for the harmonisation of key OTC derivatives data elements, including for a Unique Transaction Identifier (UTI) and a Unique Product Identifier (UPI), for information held in TRs and that are important to data aggregation by authorities. The mandate of the working group is to develop guidance regarding the definition, format, and usage of these key OTC derivatives data elements. In August 2015 a consultative report on harmonisation of the UTI was published,⁹ followed by the publication in September 2015 of a consultative report on harmonisation of a first batch of other data elements.¹⁰ Consultative reports on harmonisation of the UPI and on a second and third batch of other data elements will be published in the

⁸ FSB (2015), *Thematic Review on OTC Derivatives Trade Reporting – Peer Review Report*, November; available at: <http://www.financialstabilityboard.org/2015/11/thematic-review-of-otc-derivatives-trade-reporting/>

⁹ CPMI–IOSCO (2015), *Harmonisation of the Unique Transaction Identifier – Consultative report*, August; available at: <http://www.bis.org/cpmi/publ/d131.pdf> and <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD500.pdf>

¹⁰ CPMI–IOSCO (2015), *Harmonisation of key OTC derivatives data elements (other than UTI and UPI) – first batch – Consultative report*, September; available at: <http://www.bis.org/cpmi/publ/d132.pdf> and <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD503.pdf>

future. CPMI–IOSCO plans to issue final guidance on UTI and UPI by end-2016 and on other data elements by end-2017.

When this guidance is finalised and the appropriate UTI and UPI governance is in place, and once these harmonised data elements are actively used in trade reporting, these measures should significantly improve the quality and usability of TR-held data, which will help support regulators in fulfilling their mandates. Accordingly, as noted in the trade reporting peer review report discussed above, jurisdictions are strongly encouraged to support the development and adoption of such identifiers and data standards.

3.3.3 Additional international workstreams related to trade reporting

The OTC Derivatives Regulators Forum’s (ODRF) technical working group further complements these workstreams by focusing on data quality and data usage. The technical working group provides a forum for regulators to discuss their use of data, share experiences and support further standardisation of data fields. The technical working group has been meeting regularly and reported their progress to the ODRF at its annual meeting in September 2015.¹¹

CPMI and IOSCO have an ongoing programme to monitor implementation of the *Principles for Financial Market Infrastructures* (PFMI), in relation to TRs and CCPs, as well as other types of financial market infrastructure.¹² This includes a series of ‘Level 2’ peer reviews to assess whether the content of the legal and regulatory framework (including any relevant policy statements or other forms of implementation) in individual jurisdictions is consistent with the PFMI; to date, reviews of the EU, Japan and the US have been completed, and a review of Australia is due to be completed by around end-2015.

The PFMI also contain a set of Responsibilities addressed to relevant authorities which cover, among other things, authorities’ approaches to cross-border coordination. In November 2014 CPMI–IOSCO commenced an assessment of how authorities are applying these Responsibilities to all types of financial market infrastructure, including TRs; a report on the findings of this review of the Responsibilities is planned to be published later in 2015.

4. Central clearing

4.1 Jurisdiction reform implementation

Some further steps in implementing central clearing reforms have been taken since the ninth progress report. Hong Kong published a consultation paper on draft rules to implement mandatory clearing requirements. Some progress was also made with specific central clearing requirements, discussed further below. Overall, as at end-September, 12 of 24 FSB member jurisdictions had substantially completed the implementation of regulatory reforms to ensure that standardised OTC derivatives transactions are centrally cleared. These jurisdictions had a legislative framework or other authority in force, and had in force standards or criteria for making specific central clearing determinations, for over 90% of the OTC derivatives

¹¹ For more information on the ODRF, please see: <http://www.otcdrf.org/>.

¹² CPMI–IOSCO (2012), *Principles for Financial Market Infrastructures*, April; available at: <http://www.bis.org/cpmi/publ/d101a.pdf> and <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD377-PFMI.pdf>.

transactions in their jurisdiction. A further five jurisdictions were well advanced with standards and criteria adopted with respect to at least some transactions, while seven jurisdictions were at preliminary stages of implementation. By June 2016, Mexico, Russia and Switzerland¹³ expect to have joined the group of jurisdictions with central clearing frameworks in force for over 90% of OTC derivatives in their jurisdictions; Canada, Hong Kong and Korea expect to do so by end-2016.

Table C provides additional detail on specific regulatory steps taken by jurisdictions in implementing a central clearing framework for OTC derivatives.

In August 2015 Australian and European Union authorities each finalised determinations that certain OTC interest rate derivative transactions will be required to be centrally cleared. Other FSB member jurisdictions with central clearing requirements in force for one or more types of OTC derivatives transactions include China, India, Japan, Korea and the US. For all these jurisdictions but India, central clearing requirements apply to certain OTC interest rate derivatives – Japan and the US also have requirements for certain OTC credit derivatives. India's central clearing requirements apply to certain FX derivatives.

As discussed in more detail in the previous progress report, authorities continue to report some issues in central clearing, including availability of and access to central clearing.

4.2 Availability and use of central counterparties

The majority (19) of jurisdictions have at least one CCP authorised to operate in their jurisdiction to clear at least some OTC interest rate derivatives. The availability of central clearing for other asset classes continues to be more limited. Five jurisdictions do not have any CCPs clearing OTC derivatives currently authorised to operate in their jurisdiction; while in Brazil, the EU, Russia and the US, CCPs are currently available for at least some sub-products in all OTC derivatives classes. Table H in Appendix B gives more detail on which CCPs are currently authorised and operating in FSB member jurisdictions.

Several indicators point to continued growth in the use of CCPs. As reported in the July 2015 progress report, and consistent with the fairly widespread availability of CCPs that offer clearing of OTC interest rate derivatives, several jurisdictions have estimated good uptake of these clearing offerings. Other data sources also suggest that, at a global level, there is extensive usage of CCPs for OTC interest rate derivative transactions. Aggregate clearing volumes for transactions in this class have averaged around US\$44 trillion per month over the six months to September 2015 for two of the largest CCPs (Figure 2 in Appendix B), compared with US\$16 trillion per month in the comparable period five years ago. Central clearing volumes for credit derivatives have also grown in recent years, albeit at a more moderate pace than for interest rate derivatives. Growth in client clearing may not be as strong in smaller jurisdictions, due in part to restricted availability of client clearing.

Public information on newly transacted OTC derivatives in the US indicates that, of single-currency interest rate OTC derivatives transactions reported under CFTC trade reporting rules, centrally cleared trades as a percentage of weekly aggregate transaction volume have averaged 70% from Q4 2013 to Q3 2015 (Figure 3 in Appendix B). The rate of central clearing of OTC credit derivative indices is even higher at 79% for the same period.

¹³ Switzerland's central clearing framework is expected to come into force on 1 January 2016.

4.3 International workstreams on central clearing

Use of CCPs to clear standardised OTC derivatives transactions is a key part of achieving the G20's reform objective of reducing systemic risks. Fully realising the benefits of CCPs requires these infrastructures to be subject to strong regulatory requirements and supervisory oversight, and to help ensure that CCPs themselves are not too big to fail. Fundamental to this is the implementation of CPMI–IOSCO's PFMI. Complementing this, a joint workplan has been agreed between the chairs of the BCBS, CPMI, FSB Resolution Steering Group, FSB Standing Committee on Supervisory and Regulatory Cooperation, and IOSCO, to ensure that CCPs are sufficiently resilient, that they have robust recovery plans, and that credible CCP resolution plans are in place; periodic progress reports on this workplan will also be published.¹⁴

4.3.1 CPMI–IOSCO implementation monitoring

As noted in Section 3.3.3, CPMI–IOSCO have several PFMI implementation monitoring workstreams underway, which review the application of both the Principles and the Responsibilities for authorities in relation to CCPs as well as to other types of financial market infrastructure. In addition to the 'Level 2' peer reviews of individual jurisdictions, a 'Level 3' review commenced in July 2015, focusing on a subset of requirements under the PFMI that relate to financial risk management by CCPs (including aspects of governance, stress-testing, margin, liquidity, collateral and recovery planning). A report on the results of this review is expected to be published in mid-2016.

4.3.2 CPMI–IOSCO workstreams on CCP resilience and recovery

As set out in the joint CCP workplan noted above, in order to ensure the resilience of CCPs, CPMI and IOSCO are reviewing existing stress testing policies and practices of CCPs, and are considering if and where a framework for consistent and comparable CCP stress testing might be beneficial. Work is also underway to evaluate the adequacy of existing standards with respect to CCP loss absorption capacity and liquidity, taking into account the implementation of the PFMI. Amongst other things, this includes analysing whether the standards contained in the PFMI for initial margin methodologies are sufficiently granular and robust, and also the adequacy of the PFMI's Cover 1/Cover 2 standard.

CPMI and IOSCO are also undertaking a stock-take of existing CCP recovery mechanisms, including loss allocation tools, which will be used to compare recovery mechanisms across CCPs. CPMI and IOSCO will consider the need for, and develop as appropriate, more granular standards or guidance for CCP recovery planning, taking into account the implementation of requirements for recovery planning in the CPMI–IOSCO PFMI and complementary guidance on the recovery of financial market infrastructures.¹⁵

¹⁴ BCBS–CPMI–FSB–IOSCO (2015), *Chairs' 2015 CCP Workplan (15 April 2015)*, September; available at: <http://www.financialstabilityboard.org/wp-content/uploads/Joint-CCP-Workplan-for-2015-For-Publication.pdf>. For recent progress on the workplan, see BCBS–CPMI–FSB–IOSCO (2015), *Progress Report on the CCP Workplan*, September; available at: <http://www.financialstabilityboard.org/wp-content/uploads/Progress-report-on-the-CCP-work-plan.pdf>.

¹⁵ See CPMI–IOSCO (2014), *Recovery of Financial Market Infrastructures*, October; available at: <http://www.bis.org/cpmi/publ/d121.pdf> and <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD455.pdf>.

A CPMI–IOSCO consultative report on CCP resilience and recovery issues is expected to be published by mid-2016. Ongoing implementation monitoring of the PFMI also encompasses resilience and recovery matters as appropriate.

4.3.3 FSB work on CCP resolvability

As set out in the joint CCP workplan, the FSB’s Resolution Steering Group completed in June 2015 a survey across nearly all FSB member jurisdictions on CCP resolution regimes and resolution planning. Overall, the survey results indicated that resolution frameworks for CCPs are not well developed. Systematic cross-border resolution planning processes are not yet in place for any of the largest CCPs, although efforts are underway to establish such processes. The majority of respondents noted that their jurisdictions intend to develop or are in the process of developing resolution regimes or policies for CCPs.

A working group is being established to conduct further work on CCP resolution and resolution planning, and to support a structured process for implementation monitoring. By end 2016, the group will assess the need for and, as appropriate, develop proposals for further guidance to support CCP resolvability and resolution planning and to enhance prefunded financial resources and liquidity arrangements for CCPs in resolution.

4.3.4 Analysis of central clearing interdependencies

As part of the joint CCP workplan, and in support of the above workstreams, a study group has been established to identify, quantify and analyse interdependencies between CCPs and major clearing members and any resulting systemic implications. The study group will map key interconnections between CCPs and clearing members globally – in terms of both memberships and multiple service provisions (such as reliance on particular banks for lines of credit, etc.). Considerations will include how any use of default funds and recovery or resolution action taken with respect to one CCP might impact financial institutions and/or reverberate through to other CCPs. Similarly, the impact of the recovery or resolution of a major financial institution participating in and/or providing services to multiple CCPs will also be considered.

A final report of this study group will be prepared for publication by the end of 2016.

5. Higher capital requirements for non-centrally cleared derivatives

Higher capital requirements for non-centrally cleared derivatives form part of the design of the revised prudential standards of Basel III. As such, implementation of this commitment is subsumed into the adoption of these revised standards, which most FSB member jurisdictions have completed (18 of 24 jurisdictions); this is unchanged since end-June 2015. Table D provides additional detail regarding planned next steps in the implementation of this commitment area.¹⁶

As reported in the ninth progress report, final standards for the treatment of banks’ counterparty credit risk exposures to CCPs (and related methodological changes) were

¹⁶ For further detail on progress in jurisdictions’ implementation of Basel III, see BCBS (2015), *Ninth progress report on adoption of the Basel regulatory framework*, October; available at: <http://www.bis.org/bcbs/publ/d338.pdf>.

published in April 2014. The implementation of these standards is due to start to take effect at the start of 2017. Authorities continue to consider the joint effect of these standards with other prudential standards (such as the Basel III leverage ratio and liquidity requirements) on banks' approaches to central clearing (including client clearing business models).

Some authorities have noted that the joint effect of these various standards on overall OTC derivatives market activity will be difficult to assess fully until these and other related requirements (such as margins for non-centrally cleared derivatives, discussed below) are implemented over coming years.

6. Margin requirements for non-centrally cleared derivatives

The phase-in period for the BCBS–IOSCO standards for margin requirements for non-centrally cleared derivatives will begin in September 2016, and jurisdictions are generally at early stages of implementation of this reform area. Nonetheless, with the start date for these requirements already having been delayed once, it is important that all jurisdictions take the necessary regulatory steps to implement these requirements on schedule, taking into account the lead time necessary for market adoption.

As at end-September, all but one FSB member jurisdiction (Korea) reported that they had the necessary legislative frameworks or other authority in force, or published for consultation or proposed, to implement this commitment. Since end-June two jurisdictions (Canada and Singapore) have issued proposed standards for consultation. While no jurisdiction has yet adopted final requirements, Canada, Russia and the US¹⁷ expect to adopt some final requirements by end-2015. The majority of, though not all, FSB member jurisdictions expect to have their framework for margin requirements in force by end-2016.¹⁸ Table E in Appendix A provides additional detail regarding jurisdictions' plans for further implementation.

As noted in prior progress reports, the BCBS–IOSCO Working Group on Margin Requirements (WGMR) has established a monitoring group to assess the state of implementation, readiness, efficacy and appropriateness of the margin requirements across jurisdictions. Consistency in implementation has been raised as a key issue by several authorities, and the monitoring group will continue to monitor ongoing developments in national implementation and update the WGMR and its parent committees as necessary in the period ahead.

7. Exchange and electronic platform trading and market transparency

There is uneven implementation across FSB member jurisdictions in reforms to promote the trading of standardised OTC derivatives on organised trading platforms, where appropriate. Since the FSB's July 2015 progress report the EU and Japan completed final implementation steps; as at end-September 2015, only three jurisdictions (the EU, Japan and the US) had a

¹⁷ The US prudential regulators and the CFTC.

¹⁸ Japan notes it would finalise margin rules according to the internationally agreed phase in period, on the condition of harmonised implementation across jurisdictions.

completed framework in force applicable to over 90% of all transactions for determining when products should be traded on organised trading platforms. While most other jurisdictions have adopted legislative frameworks to support increased use of organised trading platforms for OTC derivatives contracts, few additional regulatory steps have been taken in these other jurisdictions. By end-2016 three jurisdictions (Australia, Mexico and Singapore) expect to have in force a framework applicable to over 90% of all transactions in their markets, while a further three jurisdictions (Argentina, China and Switzerland) report they will have detailed frameworks adopted for at least some transactions. Table F in Appendix A provides additional detail regarding jurisdictions' plans for further implementation.

Where reform implementation is not well advanced, some authorities have indicated that they are waiting for frameworks to be fully established in the largest jurisdictions before moving ahead with detailed domestic implementation, in order to design domestic regimes that can effectively operate alongside those in place in large jurisdictions. Several authorities have also noted that, at present, there is insufficient liquidity or market depth for platform trading requirements to be appropriate in their respective markets, and imposing platform trading requirements may damage the functioning of an illiquid market.

IOSCO published in August 2015 a report on the potential impact of mandatory post-trade transparency in the credit default swaps market. This was based on an analysis of publicly available data on CDS transactions executed before and after the introduction of mandatory post-trade transparency in certain CDS markets in the US.¹⁹ This report concluded that greater post-trade transparency in the CDS market – which includes making the price and volume of individual transactions publicly available – would be valuable to market participants and other market observers. IOSCO has therefore encouraged authorities to take steps toward enhancing post-trade transparency in their respective CDS markets.²⁰

8. Cross-border regulatory issues in OTC derivatives markets

Several authorities continue to note that further cross-border cooperation is needed to overcome obstacles to effective implementation of OTC derivatives market reforms. Several authorities also note that unevenness in the pace of implementation of reforms, as well as inconsistencies or gaps in the application of requirements to cross-border transactions, can result in duplicative or overlapping requirements or lead to opportunities for regulatory arbitrage. Some authorities note that this, in turn, could result in market fragmentation and decreased liquidity. In addition, some emerging market and developing economies have indicated that challenges may be presented by the potential cross-border impact of reforms,

¹⁹ IOSCO (2015), *Post-Trade Transparency in the Credit Default Swaps Market*, August; available at: <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD499.pdf>.

²⁰ The report noted that a jurisdiction might consider, for example, introducing post-trade transparency for more liquid index CDS instruments initially, and expanding a post-trade transparency regime to more illiquid index products and single-name CDS at a later stage. A jurisdiction also might wish to consider lengthier delays in either reporting or public dissemination in earlier stages, and lowering these time frames in later stages. The report also noted that the effects of real-time dissemination could differ between the near term and the long term, particularly as the CDS market evolves in response to other regulatory actions. The report noted that IOSCO anticipates that additional data from jurisdictions with some form of mandatory post-trade transparency will enable additional and more in-depth studies of the impact of post-trade transparency.

such as meeting recognition/equivalence requirements of major financial centres in OTC derivatives.

Since the publication of the ninth progress report, in September 2015 IOSCO published a report on cross-border regulation to provide further guidance to authorities in how they might approach issues in this area (this report considered securities markets broadly, not just OTC derivatives markets).²¹ The report examined various cross-border regulatory options, supporting case studies, a description of the processes used to assess comparability of foreign regulatory regimes, and considerations on the application of regulatory tools that might be used to address cross-border regulatory issues. The report suggested a number of next steps for IOSCO to consider in this space, and in addition noted that IOSCO should have more engagement with the G20 and FSB to create greater awareness of the key issues and challenges faced by IOSCO members on cross-border regulation, including the need for more refined thinking on concepts of ‘deference’.²²

The OTC Derivatives Regulators Group (ODRG) will report to the G20 Leaders’ Summit in November on progress in cross-border implementation issues.

²¹ IOSCO (2015), *IOSCO Task Force on Cross-Border Regulation – Final report*, September; available at: <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD507.pdf>.

²² Paragraph 71 of the September 2013 G20 Leaders’ St. Petersburg Declaration stated: “We agree that jurisdictions and regulators should be able to defer to each other when it is justified by the quality of their respective regulatory and enforcement regimes, based on similar outcomes, in a non-discriminatory way, paying due respect to home country regulation regimes.” Available at: https://g20.org/wp-content/uploads/2014/12/Saint_Petersburg_Declaration_ENG_0.pdf.

Appendix A: Implementation timelines across reform areas

Table B

Status of trade reporting regulatory implementation

	End-2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	H1 2016	H2 2016
AR	3	3	3	3	3	3	3
AU	3	3					
BR							
CA							
CN							
EU	FR						
	DE						
	IT						
	NL						
	ES						
	UK						
HK	3	3	3	3	3	3	
IN							
ID							
JP							
KR							
MX							
RU							
SA							
SG	3	3					
ZA	2	2	2	2	2	3	3
CH	1	1	1	1	1	3	
TR	1	1	1	1	1	3	
US							

For jurisdiction codes see Table A on page 4; for table legend see page 5.
Source: FSB member jurisdictions.

Table C

Status of central clearing regulatory implementation

	End-2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	H1 2016	H2 2016
AR	3	3	3	3	3	3	3
AU							
BR							
CA	2	3	3	3	3	3	
CN							
EU	FR						
	DE						
	IT						
	NL						
	ES						
	UK						
HK	1	1	1	2	2	2	
IN	3	3	3	3	3	3	3
ID	3	3	3	3	3	3	3
JP							
KR	3	3	3	3	3	3	
MX	1	1	1	1	3		
RU	2	2	2	2	2		
SA	1	1	1	1	1	1	1
SG							
ZA	1	1	2	2	2	3	3
CH	1	1	1	1	1		
TR	1	1	1	1	1	1	3
US							

For jurisdiction codes see Table A on page 4; for table legend see page 5.
Source: FSB member jurisdictions.

Table D

Status of regulatory implementation of higher capital requirements for non-centrally cleared derivatives

	End-2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	H1 2016	H2 2016
AR							
AU							
BR							
CA							
CN	1	1	1	1	1	1	1
EU	FR						
	DE						
	IT						
	NL						
	ES						
	UK						
HK							
IN							
ID	1	1	1	1	1	1	1
JP							
KR	3	3	3	3	3	3	3
MX	3	3	3	3			
RU							
SA							
SG							
ZA							
CH							
TR	1	1	1	1			
US	3	3	3	3	3	3	3

For jurisdiction codes see Table A on page 4; for table legend see page 5.

Source: FSB member jurisdictions.

Table E

Status of regulatory implementation of margin requirements for non-centrally cleared derivatives

	End-2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	H1 2016	H2 2016
AR	1	1	1	1	1	1	3
AU	1	1	1	1	1	2	2
BR	1	1	1	1	1	1	2
CA	1	1	1	2	3	3	
CN ^(a)	1	1	1	1	1	1	1
EU	FR	2	2	2	2	2	3
	DE	2	2	2	2	2	3
	IT	2	2	2	2	2	3
	NL	2	2	2	2	2	3
	ES	2	2	2	2	2	3
	UK	2	2	2	2	2	3
HK	1	1	1	1	2	3	
IN	1	1	1	1	1	1	1
ID	1	1	1	1	1	1	1
JP	2	2	2	2	2	3	
KR							
MX	1	1	1	1	1	1	2
RU	1	1	2	2	3		
SA	1	1	1	1	1	1	1
SG	1	1	1	2	2	3	
ZA	1	1	2	2	2	2	
CH	1	1	1	1	1	3	
TR	1	1	1	1	1	1	2
US	2	2	2	2	3		

(a) China has been reclassified compared to the ninth (July 2015) progress report.

For jurisdiction codes see Table A on page 4; for table legend see page 5.

Source: FSB member jurisdictions.

Table F

Status of exchange or electronic platform trading regulatory implementation

	End-2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	H1 2016	H2 2016
AR	3	3	3	3	3	3	3
AU	1	1	1	1	3		
BR	1	1	1	1	1	1	2
CA	1	2	2	2	2	2	2
CN	3	3	3	3	3	3	3
EU	FR	3	3	3			
	DE	3	3	3			
	IT	3	3	3			
	NL	3	3	3			
	ES	3	3	3			
	UK	3	3	3			
HK	1	1	1	1	1	1	1
IN	1	1	1	1	1	1	1
ID	1	1	1	1	1	1	1
JP	1	1	1				
KR						1	1
MX	1	1	1	1	3		
RU						1	1
SA	1	1	1	1	1	1	1
SG	1	1	1	1	1	1	
ZA	1	1	1	1	1	1	1
CH	1	1	1	1	1	3	3
TR	1	1	1	1	1	1	2
US							

For jurisdiction codes see Table A on page 4; for table legend see page 5.

Source: FSB member jurisdictions.

Appendix B: Availability and usage of infrastructure

Table G

Trade repositories in operation in FSB member jurisdictions

TRs and TR-like entities authorised and operating as at September 2015

TR name	Location	Jurisdictions in which TR is authorised to operate	CO	CR	EQ	FX	IR
TRs							
BM&F Bovespa	Brazil	BR					
BSDR LLC	US	(US)					
CCIL	India	IN					
CETIP	Brazil	BR					
Chicago Mercantile Exchange Inc.	US	CA, (US)					
CME European Trade Repository	UK	EU					
DTCC-DDR	US	[AU], CA, (US)					
DTCC Data Repository – Japan	Japan	[AU], JP					
DTCC-DDRL	UK	[AU], EU					
DTCC Data Repository – Singapore	Singapore	AU, SG					
HKMA-TR	Hong Kong	[AU], HK					
ICE Trade Vault	US	CA, (US)					
ICE Trade Vault Europe	UK	EU					
KDPW Trade Repository	Poland	EU					
Korea Exchange (KRX)	Korea	KR					
CJSC National Settlement Depository (NSD)	Russia	RU					
REGIS-TR	Luxembourg	EU					
OJSC “Saint-Petersburg Exchange” (SPBEX)	Russia	RU					
SAMA TR	Saudi Arabia	SA					
UnaVista	UK	[AU], EU					
Sub-total			15	17	16	18	19
TR-like entities							
Argentina Clearing	Argentina	AR					
Banco de México	Mexico	MX					
Bank of Korea	Korea	KR					
Bank Indonesia	Indonesia	ID					
CFETS	China	CN					
China Securities Internet System	China	CN					
Financial Supervisory Service	Korea	KR					
Mercado de Valores de Buenos Aires	Argentina	AR					
Mercado Abierto Electrónico	Argentina	AR					
Mercado Argentino de Valores	Argentina	AR					
Mercado a Término de Buenos Aires	Argentina	AR					
Mercado a Término de Rosario	Argentina	AR					
SIOGRANOS	Argentina	AR					
Takasbank	Turkey	TR					
Sub-total			9	5	7	9	6
Total: TRs and TR-like entities			24	22	23	27	25

() indicates application pending/under consideration in indicated jurisdiction; [] indicates prescription in place for these TRs in Australia.

In Turkey, the Central Registry Agency (MKK) was authorised in April 2015, but is not yet active.

CO = commodity, CR = credit, EQ = equity, FX = foreign exchange, IR = interest rate. For jurisdiction codes, see Table A on page 4.

Sources: FSB member jurisdictions; various TRs.

Table H
OTC derivatives CCPs in operation in FSB member jurisdictions
 CCPs authorised and operating as at September 2015

CCP name	Location	Jurisdictions in which CCP is authorised to operate as at end-September 2015 ^(a)	CO	CR	EQ	FX	IR
Asigna	Mexico	(EU), (MX)					
ASX Clear	Australia	AU, EU					
ASX Clear (Futures)	Australia	AU, EU, US*					
BME Clearing	Spain	EU*					
BM&F BOVESPA	Brazil	BR, (EU)					
CCIL	India	(EU), IN, (US)					
CDCC	Canada	CA, (EU)					
CME Clearing Europe	UK	[AU]*, CA, EU, (US)					
CME Group Inc.	US	AU, CA, (EU), US					
Eurex Clearing	Germany	[AU]*, EU, CH, (US)					
ECC	Germany	EU					
OTC Clearing Hong Kong Limited	Hong Kong	[AU]*, EU, HK, (US)					
ICE Clear Credit LLC.	US	CA, (EU), US					
ICE Clear Europe Ltd.	UK	(EU), US					
ICE Clear Netherlands	The Netherlands	(EU)					
JSCC	Japan	[AU]*, EU, JP, (US)					
KDPW CCP	Poland	EU					
Korea Exchange	Korea	(EU), JP, KR, (US)					
LCH.Clearnet LLC	US	CA, (EU), US					
LCH.Clearnet Ltd	UK	AU, CA, EU, JP, CH, US					
LCH.Clearnet SA	France	EU, US					
LME Clear Ltd	UK	EU					
Nasdaq OMX Stockholm	Sweden	[AU]*, EU					
CJSC JSCB National Clearing Centre	Russia	RU					
Natural Gas Exchange	Canada	CA, (EU), US					
OCC	US	CA, (EU), US					
OMI Clear	Portugal	EU					
SGX Derivatives Clearing Limited	Singapore	EU, SG, US					
Shanghai Clearing House	China	CN					
Total currently in operation			11	7	9	10	18

() indicates application/exemption request is pending/under consideration in indicated jurisdiction; [] indicates prescription in place for these CCPs in Australia; these CCPs are only authorised to be used to satisfy Australian mandatory central clearing obligations in certain circumstances.

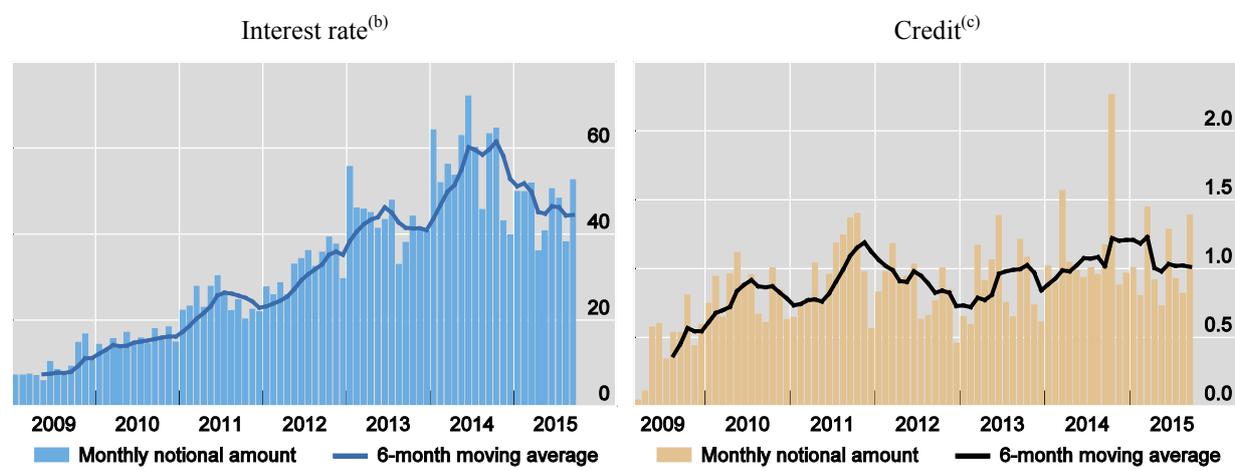
(a) In some cases authorisation is only for a subset of products, and/or for only direct participation or only client clearing.

* Indicates change in authorisation status since June 2015.

CO = commodity, CR = credit, EQ = equity, FX = foreign exchange, IR = interest rate. For jurisdiction codes, see Table A on page 4.

Sources: FSB member jurisdictions; various CCPs.

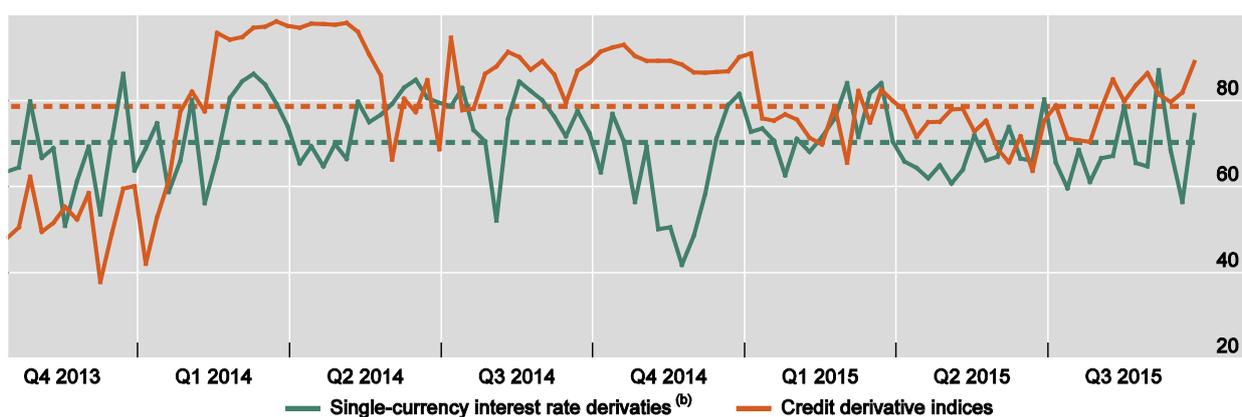
Figure 2
Central Clearing Volumes in OTC Derivatives for Selected EU and US CCPs
 Monthly notional amounts^(a), USD trillions



(a) Newly cleared transactions, gross of subsequent netting or compression. (b) All OTC interest rate derivative transactions cleared by CME Clearing and LCH.Clearnet Ltd (SwapClear). (c) All credit derivative transactions cleared by ICE Clear Credit and ICE Clear Europe.

Sources: CME Group; ICE Clear, LCH.Clearnet.

Figure 3
Central Clearing of New OTC Derivatives Transactions in the US
 Centrally cleared trades as percentage of weekly aggregate transaction volume^(a)



Dotted line indicates average from October 2013 to September 2015.

(a) Transactions reported to CME Group SDR, DTCC Data Repository and ICE Trade Vault in accordance with CFTC trade reporting rules. Amounts cleared include both transactions subject to CFTC mandatory clearing requirements and those cleared voluntarily. (b) Excludes cross-currency transactions.

Source: CFTC.

Appendix C: Members of the OTC Derivatives Working Group

Co-Chairs

Brian Bussey (representing IOSCO)
Associate Director for Derivatives Policy and Trading Practices
Division of Trading and Markets
Securities and Exchange Commission

Jeanmarie Davis (representing CPMI)
Senior Vice President, Financial Market Infrastructure Function
Financial Institution Supervision Group
Federal Reserve Bank of New York

María Teresa Fábregas Fernandez
Head, Financial Markets Infrastructure Unit
Directorate General for Financial Stability, Financial Services and
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Australia

Oliver Harvey
Senior Executive Leader, Financial Market Infrastructure
Australian Securities and Investments Commission

Brazil

Leonardo P Gomes Pereira
Chairperson
Comissão de Valores Mobiliários (CVM)

Canada

Ian Christensen
Director, Financial Markets Department
Bank of Canada

China

Haibo Cheng
Deputy Director, Department of Futures Supervision
China Securities Regulatory Commission

Fei Gao
Director, Bonds Markets Supervision Division
Financial Market Department
People's Bank of China

France

Patrice Aguesse
Head, Markets Regulation Policy Division
Autorité des marchés financiers (AMF)

Germany	<p>Thomas Schmitz-Lippert Executive Director, International Policy/Affairs Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)</p> <p>Martin Ockler Higher Executive Officer, Financial Stability Department Deutsche Bundesbank</p>
Hong Kong	<p>Daryl Ho Head of Financial Stability Surveillance Division Monetary Management Department Hong Kong Monetary Authority</p> <p>Daphne Doo Senior Director, Supervision of Markets Division Securities and Futures Commission</p>
Japan	<p>Shunsuke Shirakawa Deputy Commissioner for International Affairs Financial Services Agency</p>
Korea	<p>Jae-Ryong Jeong Head, Derivatives Analysis Team Financial Supervisory Service</p>
Singapore	<p>Ken Nagatsuka Deputy Director, Markets Policy & Infrastructure Monetary Authority of Singapore</p>
South Africa	<p>Roy Havemann Chief Director, Financial Markets and Stability National Treasury</p>
Switzerland	<p>Michael Manz Head, International Finance and Financial Stability Swiss Federal Department of Finance (FDF) State Secretariat for International Finance (SIF)</p>
Turkey	<p>Ayça Özer Senior Expert, Investment Services Department Capital Markets Board of Turkey (SPK)</p>
UK	<p>Tim Clausen Adviser, International Directorate Bank of England</p> <p>Anne-Laure Condat Technical Specialist, Derivatives Reform Financial Conduct Authority</p>

US	<p>Warren Gorlick Associate Director, Office of International Affairs Commodity Futures Trading Commission</p> <p>Kim Allen Senior Special Counsel, Office of Derivatives Policy Securities and Exchange Commission</p> <p>Erik Heitfield Chief, Risk Analysis Section Federal Reserve Board of Governors</p>
ECB	<p>Andreas Schönenberger Principal Market Infrastructure Expert in the Oversight Division Directorate General Payment and Market Infrastructure</p>
BIS	<p>Andreas Schrimpf Economist, Monetary and Economic Department</p>
IMF	<p>Eija Holttinen Senior Financial Sector Expert Financial Supervision and Regulation Division</p>
BCBS	<p>(Currently vacant)</p>
CPMI	<p>Klaus Löber Head of Secretariat</p>
IOSCO	<p>David Wright Secretary General</p>
FSB Secretariat	<p>Rupert Thorne Deputy to the Secretary-General</p> <p>Mark Chambers Member of Secretariat</p>