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For Immediate Release

PRESS RELEASE

Central banks and securities regulators release recommendations for central counterparties

The Committee on Payment and Settlement Systems (CPSS) and the Technical Committee of the International Organization of Securities Commissions (IOSCO) today released a report entitled *[Recommendations for Central Counterparties](#)*. The report is available on the BIS website (www.bis.org) and the IOSCO website (www.iosco.org).

The report was prepared by the Task Force on Securities Settlement Systems, which was jointly established by the CPSS and the Technical Committee of IOSCO. It sets out comprehensive standards for risk management of a central counterparty (CCP). A CCP interposes itself between counterparties in financial transactions, becoming the buyer to the seller and the seller to the buyer.

A well designed CCP with appropriate risk management arrangements reduces the risks faced by its participants and contributes to the goal of financial stability. A CCP, however, also concentrates risks and responsibilities for risk management. Therefore, the effectiveness of a CCP's risk control and the adequacy of its financial resources are critical aspects of the infrastructure of the markets it serves. In light of the interest by financial markets in developing CCPs and expanding the scope of their services, the Task Force has developed a set of recommendations for CCPs' risk management.

In March 2004, the CPSS and the Technical Committee of IOSCO released a consultative report for public comment. More than 40 comments were received from central bankers and securities regulators, as well as operators of and participants in CCPs. The Task Force benefited greatly from this input.

This report has 15 headline recommendations and accompanying explanatory text. The recommendations cover the major types of risks CCPs face. The report sets out the intended scope of application of these recommendations and their relationship with the Task Force report *[Recommendations for Securities Settlement Systems \(RSSS\)](#)*. The report also includes a methodology for assessing implementation of the recommendations, which identifies key issues and key questions and provides guidance on assignment of an assessment category.

The CPSS and the Technical Committee of IOSCO encourage CCPs to conduct a self-assessment of their observance of the recommendations and to utilise the answers to the key questions as a basis for their public disclosure. National authorities responsible for the regulation and oversight of the CCPs are also expected to assess whether the CCPs in their jurisdiction have implemented the recommendations and to develop plans for implementation where necessary.

Notes to editors

1. The Committee on Payment and Settlement Systems (CPSS) serves as a forum for the central banks of the G10 countries to monitor and analyse developments in payment and settlement arrangements and to consider related policy issues. Non-G10 central banks are increasingly involved in the Committee's work. The chairman of the CPSS is Tommaso Padoa-Schioppa, a Member of the Executive Board of the European Central Bank. The CPSS Secretariat is hosted by the BIS.
2. The International Organization of Securities Commissions (IOSCO) currently comprises securities regulators from more than 100 jurisdictions which have resolved to cooperate to promote high standards of regulation in order to maintain efficient and sound domestic and international securities markets. The Technical Committee of IOSCO is chaired by Andrew Sheng, Chairman of the Hong Kong Securities and Futures Commission.
3. The Task Force on Securities Settlement Systems was established in December 1999 to recommend steps that would strengthen the infrastructure of securities settlements. It is chaired by Patrick Parkinson, Associate Director, Board of Governors of the Federal Reserve System, United States and Shane Tregillis, Assistant Managing Director, Market Conduct Group of the Monetary Authority of Singapore. *Recommendations for Central Counterparties* is the Task Force's third report. The two previous reports, *Recommendations for Securities Settlement Systems* (November 2001) and *Assessment Methodology for Recommendations for Securities Settlement Systems* (November 2002) are available on the BIS and IOSCO websites.

For additional information you may contact:

Mr. Philippe Richard
Secretary General

or

Mr. Andrew Larcos
Public Affairs Officer

Tel.: (34 91) 417 55 49
Fax: (34 91) 555 93 68
E-Mail: mail@oicv.iosco.org