

Press release

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Financial Stability Board publishes progress report on OTC derivatives market reforms implementation

The Financial Stability Board (FSB) published today a [progress report on implementation of OTC derivatives market reforms](#). The report summarises progress made toward implementation of the G20 commitments concerning standardisation, central clearing, exchange or electronic platform trading, and reporting of OTC derivatives transactions to trade repositories. In particular it looks at progress against the 21 recommendations set out in the FSB's [October 2010 report](#) for implementing reforms in an internationally consistent and non-discriminatory implementation to meet the G20 commitments. In the report, the FSB makes several overall observations on progress, including identifying a number of issues meriting additional attention in the near term.

Major implementation projects are underway in the largest OTC derivatives markets, and international policy development is proceeding according to the timetable set out in the October report:

- the Committee on Payment and Settlement Systems (CPSS) and the International Organization of Securities Commissions (IOSCO) published in March a consultative report on harmonised principles for financial market infrastructures, covering payment systems, central securities depositories, securities settlement systems, and central counterparties (CCPs), and including guidance on trade repositories.
- IOSCO published in February a study evaluating the benefits and challenges associated with the implementation of measures aimed at increasing exchange and electronic trading. It will conduct further analysis on the current market use of multi or single-dealer platforms.
- the largest derivatives dealers and other major market participants delivered in March a letter to the OTC Derivatives Supervisors Group, setting out broad objectives, specific initiatives and supporting commitments in this letter as the foundation of a roadmap for implementation of G20 objectives.
- the Committee on the Global Financial System (CGFS), CPSS, and IOSCO held a forum in January 2011 and are organising follow-up work to promote

expanding access to central clearing to a broader set of participants, and links between CCPs, without sacrificing the rigour of CCP risk controls.

Nevertheless, although implementation is still in its early stages, the FSB is concerned that many jurisdictions may not meet the G20's end-2012 deadline and believes that, in order for this target to be achieved, jurisdictions need to take substantial, concrete steps toward implementation immediately.

Differences in approaches are emerging in some areas that could weaken the effectiveness of reforms in these markets, create potential opportunities for regulatory arbitrage, or subject market participants and infrastructures to conflicting regulatory requirements. Divergent approaches to requirements for the reporting of transaction data to trade repositories may lead to difficulties in cross-border sharing of data or aggregating data on a global basis unless steps are taken to ensure consistency. Potential emerging inconsistencies may also be seen in the development and future application of clearing requirements and strengthened margining/collateralisation practices across asset classes, products and market participants, and requirements for trading on multi-dealer versus single dealer platforms. In this context, the FSB has requested that IOSCO undertake further analysis on market use of multi- or single-dealer platforms.

The FSB will continue to monitor developments through its OTC Derivatives Working Group as implementation progresses, and identify any further emerging inconsistencies that should be addressed. The FSB will publish a further progress report by October 2011 that should provide greater insight as to whether progress is on track, including greater detail on implementation by asset class (covering interest rate, credit, equity, commodity and foreign exchange).

The FSB welcomes feedback from the public on this report. Feedback should be submitted by 16 May 2011 by e-mail (fsb@bis.org) or post (Secretariat of the Financial Stability Board, c/o Bank for International Settlements, CH-4002, Basel, Switzerland).

Notes to editors

The FSB has been established to coordinate at the international level the work of national financial authorities and international standard setting bodies and to develop and promote the implementation of effective regulatory, supervisory and other financial sector policies in the interest of financial stability. It brings together national authorities responsible for financial stability in 24 countries and jurisdictions, international financial institutions, sector-specific international groupings of regulators and supervisors, and committees of central bank experts.

The FSB is chaired by Mario Draghi, Governor of the Bank of Italy. Its Secretariat is located in Basel, Switzerland, and hosted by the Bank for International Settlements.

For further information on the FSB, visit the FSB website, www.financialstabilityboard.org.