Ensuring the strength and resilience of clearinghouses is core to the CFTC’s mission. Among my top priorities is our work with systemically important clearinghouses on their recovery plans and rules - and to ensure their completion by the end of 2016. Viable CCP recovery plans and rules help ensure the financial stability and resilience of CCPs. They are also a key foundation in development of resolution plans in the event that a CCP recovery is unsuccessful.

Current discussions on CCP resolution are properly focused on questions such as:
- At what point should a resolution authority intervene?
- Should there be specific tools or resources reserved for exercise by a resolution authority in the resolution phase?
- What is the proper balance between giving a resolution authority flexibility versus having predictability regarding tools, potential assessments, or other features?
- Should there be a “presumptive path” for the actions of a resolution authority, or a certain level of “constructive ambiguity” (also referred to as “constrained flexibility”) as to what it may do and when?

I believe constructive ambiguity is the approach most likely to achieve the best balance. While resolution strategies should include a predefined framework of tools and actions, they must embed flexibility in the process. Constructive ambiguity provides the resolution authority with the discretion necessary to respond to unprecedented issues, in unpredictable configurations, that may arise during a resolution process. This promotes the ultimate goal of maintaining financial stability.

Resolution planning must not create incentives-intentionally or not - that undermine prospects for a successful recovery.

That said, a level of predictability and legal certainty as to exposures or losses arising from the tools and actions available to the resolution authority will benefit CCPs, their clearing members and others. This facilitates their ex-ante planning and ensures transparency.

While we need to plan for CCP recovery and resolution, we must remember that clearinghouse resilience is, first and foremost, about daily risk management. CCP resilience rests upon daily margining practices, stress testing, ongoing surveillance, and strong governance. I welcome the recently published CPMI-IOSCO PSG consultation guidance examining whether the regulatory standards set forth in the PFMIs should be enhanced through more granular interpretation to increase CCP resilience. I look forward to continuing this dialogue with colleagues around the world.

“Resolution planning must not create incentives - intentionally or not - that undermine prospects for a successful recovery.”
- JEFFREY M. BANDMAN

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