

## Derivatives clearinghouse resolution should be addressed by FSB, ex-Bank of England's Tucker says 31 Oct 19 | 18:27 GMT

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### IN BRIEF

The way derivatives clearinghouses that are ailing or have failed should be unwound by national regulators ought to be addressed by the Basel-based Financial Stability Board, said Paul Tucker, a former Bank of England deputy governor. “Unlike for the big globally systemic banks, authorities internationally and in the US haven’t set out a plan for what they would do,” Tucker, head of the nonpartisan Systemic Risk Council in Washington, said in an interview.

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“Unlike for the big globally systemic banks, authorities internationally and in the US haven’t set out a plan for what they would do,” Tucker, head of the nonpartisan Systemic Risk Council in Washington, said in a recent interview.

“The business of planning for the worst is a really, really important lesson of the crisis,” he continued. “You don’t want to start thinking about this the day it happens or the evening before.”

FSB, the regulatory arm of the Group of 20 economic powers, said in its annual report this month that more work is needed to “build effective resolution regimes” for clearinghouses.

The FSB and other global authorities are trying to promote clearinghouse “resilience, recovery planning and resolvability, including in relation to financial resources,” the report said (see [here](#)).

— ‘Clear principles’ —

The Systemic Risk Council, founded by former US Federal Deposit Insurance Corporation chief Sheila Bair, recommended this year that the FSB outline “clear high-level principles” for all clearinghouses to follow. Those principles should include the equity of clearinghouse owners being wiped out once resolution begins, the council said.

Efforts to devise clearinghouse resolution policies have been mired in disputes over who foots the bill for a facility in distress: the clearinghouse, or its member banks and asset managers that trade derivatives.

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– Finger-pointing –

Each group has pointed a finger at the other.

Goldman Sachs, JPMorgan Chase and BlackRock urged regulators in a paper last week to speed capital rules for clearinghouses and require them to have more “skin in the game.”

“We believe current capital requirements are insufficient in this regard,” the paper said (see [here](#)).

Clearinghouses such the London Stock Exchange’s LCH Group have said the 25 percent minimum regulatory capital ensures “that the interests of clearinghouse management are aligned with those of the clearing members.”

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