February 6, 2026

VIA ELECTRONIC SUBMISSION (cpmi@bis.org and GBR-CP@iosco.org)
The CPMI Secretariat and the IOSCO Secretariat

Re: CPMI's and IOSCO's Consultative report *FMIs' management of general business risks and general business losses: Further guidance to the PFMI*

The Global Association of Central Counterparties ("CCP Global") is the international association for central counterparties ("CCPs"), representing 45 members who operate over 60 individual CCPs across the Americas, EMEA, and the Asia-Pacific region. CCP Global appreciates the opportunity to respond to the CPMI's and IOSCO's Consultative report *FMIs' management of general business risks and general business losses: Further guidance to the PFMI*[1] ("the Consultation" or "the "Report"). We provide our comments to the Consultation's questions below.

1) Scope and interaction with other PFMI principles

a) Is the guidance provided on the scope of general business risk and interaction with other PFMI principles clear and sufficient? If not, how should it be amended?

We firmly believe that the *Principles for financial market infrastructures* ("PFMIs") provide a strong foundation for the management of general business risks ("GBRs") and potential general business losses ("GBLs")[2] . Importantly, the PFMIs are comprehensive, while not being overly prescriptive in such a manner that could undermine the ability of CCPs to tailor their practices to the unique characteristics of their offerings. Various jurisdictions have implemented the PFMIs and in some cases will have gone further than the PFMIs, so there is a risk that any new guidance interacts in unhelpful or unintended ways with local regulation. We therefore appreciate CPMI-IOSCO's intention not to create or impose additional standards for FMIs beyond those set out in the PFMIs. It is also helpful that the guidance explicitly recognises it provides an acceptable way, rather than the only way, to observe the PFMIs.

Given the strong foundation provided by the PFMIs – including as implemented through various jurisdictions' adoption of relevant requirements – and robust risk management practices of CCPs, we do not believe that additional guidance is needed for CCPs on the management of GBRs and GBLs. The PFMIs appropriately recognize that the types of GBRs and the potential subsequent GBLs not only

[1] CPMI, IOSCO, Consultative report *FMIs' management of general business risks and general business losses: Further guidance to the PFMI* (November 2025): Link.
[2] GBLs are commonly referred to as non-default losses ("NDLs") in the CCP context.

vary across CCPs, but also more broadly FMIs. Although we do not believe additional guidance is necessary for CCPs, we understand that the CPMI-IOSCO is proposing such additional guidance after identifying some inconsistencies in the recent Level 3 assessment of GBRs[3] that may be related to "a lack of common understanding of the PFMI." We would note that many of the issues highlighted by the Level 3 assessment appear to be straightforward implementation issues rather than cause for new guidance. To this end, we offer the following considerations and feedback on specific aspects of the Consultation and elaborate, where relevant, on our view that the PFMIs' standards on the management of GBRs and GBLs are already sufficient.

The historical debate on GBLs has been focused on clearing member cash calls as a tool to mitigate GBLs and CCPs having more capital to reduce potential cash calls. However, this narrow focus does not account for several factors, such as the business models of CCPs, their risk profile and control environment, and lack of severe GBL events. Additionally, even when faced with extreme and implausible testing scenarios related to GBRs, CCPs have proven their outstanding resilience, as demonstrated by the findings of the 2022 FSB, CPMI, and IOSCO Report "Central Counterparty Financial Resources for Recovery and Resolution".[4,5]

Additional granularity on how FMIs should approach the management of GBRs and GBLs may result in an unwarranted increase in capital requirements, without clear systemic stability benefits. In particular, such guidance could lead to an inefficient allocation of resources to address losses that may never occur, as opposed to such resources being dedicated to further bolstering a CCP's risk management practices that mitigate the likelihood that those losses occur in the first place. We believe that the principles-based approach embraced by the PFMIs allows for appropriate tailoring of an FMI's GBR and GBL related risk management to its specific risk profile and business model. To this end, where CPMI-IOSCO does provide granularity on approaches to managing GBRs, we understand it is provided as examples that FMIs could "consider" when meeting the relevant PFMIs, rather than prescriptive expectations.

<u>2) Identifying, monitoring, and managing general business risks</u>

<u>a) Is the guidance provided on identifying, monitoring and managing general business risks clear and sufficient? If not, how should it be amended?</u>

CCP Global strongly believes that the PFMIs already provide appropriate standards on identifying, monitoring, and managing GBRs, while also providing CCPs with the necessary flexibility to leverage their expert judgment in designing their frameworks for managing GBRs, considering CCPs' business models and the nuances of the unique risks they face. Therefore, any guidance provided by CPMI-IOSCO should not introduce requirements on the types of tools CCPs use to address GBLs. Further, a

[3] CPMI, IOSCO, *Implementation monitoring of the PFMI: Level 3 assessment on general business risks* (November 2025): Link.

[4] FSB, CPMI and IOSCO Report *Central Counterparty Financial Resources for Recovery and Resolution* (March 2022): Link.

[5] Broadly, implausible scenarios should not be the basis for further work on CCP resources, since the PFMIs clearly set out that a CCP should maintain resources to address extreme but plausible market conditions and have additional tools and/or resources to address losses that may arise in recovery. For more details related to the CCPs' feedback on the FSB, CPMI, and IOSCO work on CCP financial resources in recovery and resolutions, please refer to the CCP Global response: Link.

one-size-fits-all approach would not reflect the unique risk profile of CCPs, nor FMIs more broadly, across the CPMI and IOSCO member jurisdictions.

Consistent with the PFMIs, CCPs already employ tools to manage the risks relating to GBLs (e.g., risk monitoring practices, insurance etc.) and carefully size their resources to cover potential business losses that are not related to clearing members' defaults and for which they are responsible, so that they can continue to provide their critical clearing functions as a going concern, even where they face such GBLs. While we believe the PFMIs are sufficient, we appreciate that the Report provides considerations for how GBLs associated with respective GBRs are to be identified and estimated, rather than providing a specific list of types of GBLs.

In this context, we would urge CPMI-IOSCO to use such language in the Report which will clarify beyond any doubt that the considerations and examples are to be used flexibly. By way of example, if the introduction of an "integrated risk taxonomy" to identify and classify GBLs would be required, it would have the potential to shift the CCP's focus from a strategic risk dialogue to an administrative task. Although a risk taxonomy is the backbone of an effective enterprise risk management program, such taxonomy is most effective when providing high-level identification principles which ensure a CCP's flexibility in identifying risks specific to its activity to establish a unified risk language and a standardized reporting of one CCP, which guides and strengthens board-level oversight. Moreover, the Report states the FMIs should consider establishing risk indicators for early warning detection. We would like to emphasise that although such a consideration is theoretically sound, it faces significant practical hurdles. High-impact GBR events are inherently rare and stochastic. This unpredictability severely limits the effectiveness of static indicators in providing reliable early warnings.

Given the challenges presented by the limited historical data related to GBLs at CCPs, we believe it is important to emphasize the necessary use of expert judgement in informing the assumptions and scenarios used for assessing the residual risk related to the impact of GBLs. The diversity of practices used by CCPs and the use of expert judgement must be recognized and protected by CPMI-IOSCO, to the extent they are consistent with a given jurisdiction's local implementation of the PFMIs, as this flexibility allows CCPs to effectively manage the unique set of risks they face.

b) Are there other approaches and tools, in addition to or instead of those mentioned in the report, that would help FMIs to identify general business risks and estimate the size and timing of general business losses? If so, please describe the approaches or tools.

CCPs need the flexibility to choose the best approaches and tools to identify GBRs and estimate GBLs. The guidance can provide helpful examples but there should be no prescriptive and exhaustive list of approaches for doing so. As such, we appreciate that the Report recognizes that CCPs employ a variety of tools to prevent the risks relating to GBLs from materializing. As indicated earlier, the PFMIs appropriately recognize that the types of GBRs and the potential subsequent GBLs vary across FMIs. Although the Report suggests that the FMIs should contemplate how residual risks affect their respective risk profile, the performance of mitigation measures often depends on numerous variables (timing mismatches or third-party performance) that are inherently difficult to model. Quantitative estimations for these complex variables should not be mandated by CPMI-IOSCO.

We believe the PFMIs appropriately focus on establishing the foundational principles for risk identification of different types of GBRs. While we appreciate that the Report provides examples of tools a CCP "should consider," rather than providing an exhaustive list of tools that CCPs must choose from, we have some concerns. More specifically, we are concerned that by listing specific tools like risk and control self-assessments, integrated taxonomies, and the recourse to external advisors, the Report moves away from the established principles-based spirit of the PFMIs. This may hinder the adaptability required of CCPs to manage risk effectively in diverse market environments. Each CCP should maintain the discretion to determine, through a documented approach, which GBRs require sizing of potential GBLs based on their specific risk profile, subject to regulatory oversight.

The Report suggests that the CCPs employ conservative assumptions regarding the availability of risk mitigation and loss-transfer tools. It is of the utmost importance that the strength and availability of controls be quantified and validated by each CCP based on its specific and documented risk assessment methodology.

A critical concern remains regarding the proposed sequence of estimating inherent losses before considering controls, and then re-estimating based on residual risk. In our view, GBL estimation is most accurate when conducted directly on the residual risk profile, taking the existing control environment as the starting point. Requiring FMIs to model theoretical "gross losses" introduces unnecessary subjectivity and model risk, forcing reliance on biased assumptions that may not reflect the actual operational exposures and controls of the FMI. Under no circumstances should any CCP be expected to hold sufficient liquid net assets funded by equity ("LNAFE") to account for a situation in which all mitigation fails – this would increase the cost of doing business in a punitive and wholly unproportionate way.

<u>c) Are there other approaches and tools, in addition to or instead of those mentioned in the report, that would help FMIs to minimise and mitigate the sources of general business risk and manage residual risk? If so, please describe the approaches or tools.</u>

We believe the PFMIs have contributed to CCPs employing appropriate approaches and tools for CCPs to minimize and mitigate the sources of GBRs and manage residual risk, as evidenced by CCPs' history and past performance, particularly as evidenced by the limited historical data for GBLs.

<u>3) Determining the minimum amount of LNAFE</u>

<u>a) Is the guidance provided on determining the minimum amount of LNAFE clear and sufficient? If not, how should it be amended?</u>

The PFMIs already provide clear and sufficient guidance on determining the minimum amount of LNAFE, while also allowing CCPs, and FMIs more broadly, to appropriately account for the unique costs associated with implementing their recovery tools and wind-down strategies. These costs can vary greatly across CCPs given their varying business models. It is important to emphasize that CCPs should have discretion in deciding which tool(s) to utilize in their GBR management practices to appropriately balance the benefits of the use of such tools with the operational costs resulting from the necessity to invest in additional analytical capabilities and potential engagement of external expertise to validate the approaches. Any prescriptive guidance with regard to determining the minimum amount of LNAFE could have unintended consequences that may inappropriately tie up excessive capital or resources, that could otherwise be deployed for enhancing resilience in the areas related to GBRs. Inappropriately tying up CCP capital could also impact incentive and capital structures across the clearinghouse ecosystem in a manner that could impact the cost of clearing. While it is useful to evaluate potential GBLs and CCPs should, and do, hold appropriate capital, including for addressing GBLs, the focus should continue to be on preventing the various types of GBLs from occurring in the first place (e.g., putting resources towards robust cyber resilience practices). Redirecting efforts from loss prevention to allocating resources at the CCP for covering GBLs is unlikely to contribute to the prevention or effective management of GBLs. As long as a CCP has processes in place to effectively identify the types of GBLs it faces and has sufficient practices in place to address such GBLs, it is appropriate for practices used to address these risks to vary.

We are concerned that the Report introduces new levels of prescription that may be interpreted as establishing a new *de facto* expectations for a CCP's financial resources. In particular, the headline standard of Principle 15, and Key Considerations 2 and 3 of this Principle, refer to holding sufficient LNAFE to achieve "recovery or orderly wind-down" whereas the proposed guidance transitions to the use of "recovery and orderly wind-down," coupled with inconsistent references between "plan" and "plans" in the context of recovery and wind-down without explanation. CCP Global is concerned that the guidance provided in the Report may be read as expecting CCPs to hold LNAFE sufficient to fund both the full set of recovery tools and the full set of orderly wind-down strategies, which is not consistent with the PFMIs. The PFMIs, as well local regulations implementing the PFMIs, appropriately recognize that the adequate amount of LNAFE will depend on the size of the CCP, the scope of its activities, the types of actions included in the plan, and the length of time needed to implement it.

Moreover, we also find concerning the content of paragraph 4.2.11 where it refers to the CCP Resilience Guidance and states that CCPs should hold an amount of resources to absorb potential custody and investment losses related to participants' assets in addition to the minimum amount of LNAFE calculated. We believe that it sets an expectation beyond PFMIs' Principles 15 and 16, neither of which we read to require a specific dedicated amount of financial resources set aside only for the purposes of absorbing losses related to custody and/or investment of participants' assets. In fact, paragraph 4.2.11 would seem to set a duplicative expectation regarding the calculation of LNAFE. What is more, such a requirement could also interfere with the legal certainty of a CCP's rules which define potential investment loss allocations. These rules, accepted by local regulators, may differ between CCPs or even between different services at the same CCP, and may be unintentionally affected by the proposed guidance which may lead to conflict or contradiction. As the CCP Resilience Guidance and this proposed guidance are not meant to establish additional requirements beyond the PFMIs and should not interfere with existing local regulations, we would recommend that the final guidance remove the language in 4.2.11 or, at a minimum, acknowledge that the approach to custody and investment risk management should be left to CCPs' discretion.

We believe it is also important to emphasize that, as a result of the risk mitigation measures implemented by CCPs, the probability of a loss posing a significant threat to the viability of the CCP remains minimal. Also, while CCPs certainly have a role to play in risk managing, supporting financial stability, and mitigating systemic risk (such as through sound operational, custody, and investment risk management, proper due diligence of third parties, etc.), it should be made clear that the identification of a risk should not automatically mean capitalization against such risks. First, the quantification of GBLs for each potential GBR across a wide range of parameters (including the simultaneous materialization of risks scenarios) would increase the operational complexity of the process for negligible benefits. Therefore, the primary focus should be on the quantification of GBLs arising from GBRs that could threaten a CCP's viability as a going concern. Second, CCPs cannot, and should not, be responsible for GBLs relating to third-party entities and systemic events that originate outside of the markets they clear. For example, custodian agents or settlement banks could face systemic disruptions outside of the markets CCPs operate, and CCPs should not be made liable for consequences of such failures.

Finally, we are concerned that the cumulative cost of determining, validating, and holding additional discretionary capital may be disproportionately high for smaller FMIs relative to their actual systemic footprint. Such a burden might create barriers to entry and limit the ability of local infrastructure to compete effectively with larger global peers. Ultimately, the costs will likely be borne, at least partially, by participants which might see fee adjustments. This situation will impact the overall cost of clearing and settlement within certain jurisdictions.

<u>b) Are there other factors, in addition to or instead of those mentioned in the report, that an FMI should consider in its calculation of (i) the costs of implementing its recovery and orderly wind-down plans and (ii) the appropriate amount of LNAFE? If so, please describe the factors.</u>

We consider that the PFMIs have played an important role in enabling CCPs to accurately assess the costs associated with recovery or orderly wind-down and thus, maintain the necessary LNAFE, as evidenced by the strong capital positions currently maintained by CCPs.

<u>4) Governance and transparency</u>

<u>a) Is the guidance provided on governance and transparency related to general business risk clear and sufficient? If not, how should it be amended?</u>

CCP Global believes the PFMIs provide sufficient guidance on governance related to GBRs. We would also like to highlight the already transparent nature of CCPs, which is often not seen in other segments of the financial markets, including with regard to GBLs. CCPs have had a long-standing practice of clearing member engagement, including publishing their rulebooks, rule filings, and their risk management practices through the public qualitative and quantitative disclosures, which are in line with the CPMI-IOSCO's Disclosure framework and Assessment methodology [6] ("Disclosure Framework")[7] and Public quantitative disclosure standards[8]. Changes to CCPs' rules, including those related to GBL matters, are always subject to public review and a different range of stakeholders can raise queries to the CCP as part of this process. CCPs also provide information via other materials and tools they make available on their websites and to market participants directly. In addition, CCPs often

[6] CPSS, IOSCO, Principles for financial market infrastructures: Disclosure framework and Assessment methodology (December 2012): Link.

[7] CCPs' risk management practices and frameworks are well described in their qualitative disclosures, which take the form of principle-by-principle self-assessments, including related to legal, operational, custody and investment risks, and general business risk.

[8] CPMI, IOSCO, Public quantitative disclosure standards for central counterparties (February 2015): Link; CCP Global Public Quantitative Disclosures: Link; CCP Global (formerly known as CCP12) Perspective on Transparency (November 2021): Link.

organise dedicated workshops and ongoing meetings with groups of participants, as well as bilateral exchanges with these participants, to clarify their rules and procedures, and address any members' questions and concerns. Market participants also participate on many CCPs boards, risk committees, and risk working groups where GBL events, particularly those that have the potential for causing material losses, may be discussed. Generally, broad engagement from market participants can be accomplished by either engaging directly or having a representative set of participants participate in forums such as those noted above. In addition, CCPs readily make themselves available to market participants for bilateral and multi-lateral conversations to answer prevailing questions. It is therefore helpful that the guidance on transparency is generally framed as aspects that CCPs "should consider" rather than being overly prescriptive in a way that could risk disrupting long-standing positive practices.

At the same time, the CCPs' board must maintain their independent authority to act in the best interest of their respective CCP's long-term viability without being influenced by external stakeholders' short-term commercial interests. Any guidance should make clear that the focus of board-level accountability is on the adequacy of the risk framework rather than the prescription of sequence of the effective board challenge for technical parameter.

Moreover, it is worth emphasising that expanded disclosure requirements, especially in disclosing a CCP's GBR profile, above and beyond what is already publicly available or shared with participants otherwise, or its estimation methodology for potential GBLs, could lead to revealing sensitive information about proprietary risk management practices, as well as CCPs' strategic initiatives, competitive positioning, and participant base. CCPs must retain the ability to determine the level of details and specificity to disclosure regarding tools and procedures addressing GBRs, to prevent disclosures from being used by malicious actors, especially in the context of operational/cyber events. Any guidance should make clear the FMI's discretion regarding determining what is commercially sensitive information and trade secrets. In addition, the administrative burden of keeping a large amount of information up-to-date in public documents may not bring any additional benefits to the current practices highlighted earlier.

Having said that, we can appreciate that information sharing and the exchange of views among CCPs on practices relating to GBLs can be beneficial. Thus, we support efforts to reinforce such dialogue and information sharing, including through CCPs organising workshops and/or tabletop exercises.

<u>b) What particular information related to an FMI's process for managing general business risk would be useful for the FMI's participants so they can assess the risks they incur by participating in the FMI? Are there practical problems with providing such information, and if so, how can they be addressed?</u>

Rule-based allocations of GBLs should be transparent to clearing members via CCPs' rulebooks which are already publicly available on their websites. More specifically, with respect to the governance and process for the rule-based allocations of GBLs, these rulebooks define the circumstances and terms under which a clearing member may be liable for GBLs. This allows clearing members to appropriately anticipate and prepare for their potential exposure. We note CCPs commonly already have this information in their rulebooks today.

As noted above, CCPs provide a vast amount of information and disclosures, both publicly and privately, making themselves very transparent and readily available to market participants for any outstanding questions and further details. Attention should be directed towards enhancing the education of market participants, as numerous information resources and communication channels offered by CCPs remain underutilized.

c) Are there other areas, in addition to or instead of those mentioned in the report, where an FMI should consider seeking stakeholder input on its process for managing general business risk?

As previously mentioned, CCPs maintain comprehensive risk governance frameworks that facilitate consistent ongoing engagement with market participants and relevant stakeholders, as well as ensure appropriate level of information sharing and opportunities for input. CCPs often organise dedicated workshops and ongoing meetings with groups of participants, as well as bilateral exchanges with these participants, to clarify their rules and procedures, and address any members' questions and concerns. Market participants also participate on many CCPs' boards, risk committees, and risk working groups where GBL events, particularly those that have the potential for causing material losses, may be discussed.

5) Should the guidance distinguish between operating losses and non-operating losses in determining the minimum amount of LNAFE? If so:

We believe the guidance provided in PFMIs and related standards is sufficient and clear in terms of determining the minimum amount of LNAFE. At the same time, we note that the term "non-operating loss" does not otherwise appear in the body of the Consultation, nor in the wording of PFMIs' Principle 15. We believe the current reference to losses and expenses in Principle 15 is sufficient, as it allows CCPs to appropriately identify losses and expenses that are specific to their risk profiles.

a) Please explain why such a distinction would be helpful.

N/A

b) How should the guidance do so?

N/A

c) How should operating losses be defined? Are non-operating losses all losses other than operating losses and default losses?

N/A

ABOUT CCP GLOBAL

CCP Global is the international association for central counterparties ("CCPs"), representing 45 members who operate over 60 individual CCPs across the Americas, EMEA, and the Asia-Pacific region.

CCP Global promotes effective, practical, and appropriate risk management and operational standards for CCPs to ensure the safety and efficiency of the financial markets it represents. CCP Global leads and assesses global regulatory and industry initiatives that concern CCPs to form consensus views, while also actively engaging with regulatory agencies and industry constituents through consultation responses, forum discussions, and position papers.

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