

Improving Central Clearing Risk Management and Resilience



On October 25, 2024, the Securities and Exchange Commission adopted rule amendments and a new rule to improve risk management and resilience of covered clearing agencies (CCAs). These new requirements for CCAs include:

- Policies and procedures to establish risk-based margin systems for CCAs that provide central counterparty services; and
- Recovery and orderly wind-down plans (RWPs) with content requirements including elements related to planning, timing, implementation, testing and board approval.

The Commission [proposed the changes](#) on [May 17, 2023](#). The public comment file is [available online](#).

Why This Matters

CCAs are registered clearing agencies that act as central counterparties, meaning that they act as the buyer to every seller and the seller to every buyer in a securities transaction, or as a central securities depository, meaning that they act as a custodian of securities in connection with a central system. CCAs can help increase the safety and efficiency of securities trading and reduce costs. The new requirements will help ensure that CCAs can timely calculate and collect margin and that mechanisms exist for CCAs to calculate margin when substantial inputs become unavailable or unreliable. The new requirements will also help ensure that a CCA's planning for recovery and orderly wind-down is effective and can promote financial stability in periods of market stress.

How the Rules Apply

First, the amendments to Rule 17Ad-22(e)(6)(ii) require that a CCA providing central counterparty services has policies and procedures to establish a risk-based margin system that monitors intraday credit exposures on an ongoing basis, includes the authority and operational capacity to make intraday margin calls as frequently as circumstances warrant (including when risk thresholds specified by the CCA are breached or when the products cleared or markets served display elevated volatility), and documents when the CCA determines not to make an intraday call pursuant to its written policies and procedures.

Second, the amendments expand Rule 17Ad-22(e)(6)(iv) by requiring that a CCA providing central counterparty services has policies and procedures reasonably designed to establish a risk-based margin system that uses reliable sources of timely price data and other substantive inputs and uses procedures to address circumstances in which substantive inputs are not readily available or reliable (to ensure that the CCA can continue to meet its

credit exposures to its participants). Such procedures must include either substantive inputs from an alternate source or, if it does not use an alternate source, the use of a risk-based margin system that does not rely on an unavailable or unreliable substantive input.

Finally, new Rule 17Ad-26 adds content requirements for a CCA's RWP, which is required under existing Rule 17Ad-22(e)(3)(ii). The new Rule 17Ad-26 requires that the RWP must:

- Identify and describe the CCA's core payment, clearing, and settlement services and address how the CCA would continue to provide such core services in the event of a recovery or during an orderly wind-down, including identifying staffing necessary to support such core services and analyzing how such staffing roles would continue in the event of a recovery or during an orderly wind-down;
- Identify and describe service providers for core services, specifying which core services each service provider supports and addressing how the CCA would ensure such service providers would continue to perform in the event of a recovery or during an orderly wind-down;
- Identify and describe scenarios that may potentially prevent the CCA from being able to provide its core services as a going concern, including uncovered credit losses, uncovered liquidity shortfalls, and general business losses;
- Identify and describe criteria that could trigger the CCA's implementation of the RWP and the process that the CCA uses to monitor and determine whether the criteria have been met, including the applicable governance arrangements;
- Identify and describe the rules, policies, procedures, and any other tools or resources on which the CCA would rely in a recovery or orderly wind-down, and address how the identified rules, policies, procedures, and any other tools or resources would ensure timely implementation of the RWP;
- Require the CCA to inform the Commission as soon as practicable when the CCA is considering implementing a recovery or orderly wind-down;
- Include procedures for testing the CCA's ability to implement the RWPs at least yearly, including requiring the CCA's participants and, when practicable, other stakeholders to participate in the testing of its plans, requiring that such testing be in addition to testing pursuant to Rule 17Ad-22(e)(13), providing for reporting results of such testing to the CCA's board of directors and senior management, and specifying the procedures for amending the plans to address the results of such testing; and
- Include procedures requiring review and approval of the plans by the CCA's board of directors at least yearly or following material changes to the CCA's operations that would significantly affect the RWP's viability or execution, with such review informed, as appropriate, by the RWP testing.

Additional Information:

The Commission is adopting two compliance dates: (1) 150 days after publication in the Federal Register for a CCA to file any required proposed rule changes or advance notices with the Commission; and (2) 390 days after publication in the Federal Register for such proposed rule changes and advance notices to be effective.