

Press Release

July 30, 2012

Federal Reserve Board announces final rule establishing risk-management standards for financial market utilities (FMUs) designated as systemically important by the Financial Stability Oversight Council

For immediate release

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The Federal Reserve Board on Monday announced the approval of a final rule establishing risk-management standards for certain financial market utilities (FMUs) designated as systemically important by the Financial Stability Oversight Council. The final rule also establishes requirements for advance notice of proposed material changes to the rules, procedures, or operations of certain designated FMUs. FMUs, such as payment systems, central securities depositories, and central counterparties, provide the infrastructure to clear and settle payments and other financial transactions.

The final rule (Regulation HH) implements two provisions of Title VIII of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). It establishes risk-management standards governing the operations related to the payment, clearing, and settlement activities of designated FMUs, except those registered as clearing agencies with the Securities and Exchange Commission or as derivatives clearing organizations with the Commodity Futures Trading Commission. The risk-management standards are based on the recognized international standards developed by the Committee on Payment and Settlement Systems (CPSS) and the Technical Committee of the International

Organization of Securities Commissions (IOSCO) that were in existence at the time of the proposed rulemaking, which were incorporated previously into the Board's Policy on Payment System Risk.¹

The final rule also establishes requirements for advance notice of proposed material changes to the rules, procedures, or operations of a designated FMU for which the Board is the supervisory agency under Title VIII of the Dodd-Frank Act. The advance notice requirements set the threshold above which a proposed change would be considered material and thus require an advance notice to the Board, and also include provisions on the length of the review period.

The final rule is substantively similar to the proposed rulemaking, with two exceptions. The final rule includes a new provision that would allow the Board to waive the application of certain Regulation HH standards to a particular type of designated FMU, where the risks presented by or the design of that designated FMU would make application of certain standards inappropriate. In addition, the Board has revised the illustrative list of changes that do not require an advance notice, in part to include changes to a designated FMU's fees, prices, or other charges.

The final rule will be effective on September 14, 2012.

Board Votes

Federal Register notice: [HTML](#) | [PDF](#)

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1. In April 2012, CPSS and IOSCO completed an extensive review of those standards and issued the final report on the "Principles for Financial Market Infrastructures" (PFMI), which includes an updated, harmonized, and strengthened set of international risk-management standards applicable to FMUs. (See [Board press release on the PFMI](#).) The Board expects to review the PFMI, consult with other appropriate agencies and the Council, and seek public comment on the adoption of revised Regulation HH standards based on the PFMI. [Return to text](#)

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