CCP12 Template of Public Quantitative Disclosures for CCPs: Frequently Asked Questions (FAQ)

CCP12, which represents 36 major central counterparty (CCP) organizations in The *EMEA Region*; *Asia-Pacific and the Americas*, has develop this common Template of Quantitative Disclosure for Central Counterparties together with its members. This FAQ aims to improve understanding, avoid the risk of misinterpretation and increase the usefulness and comparability of the data.

General Questions

1. What is the background of the CCP Public Quantitative Disclosures?

The CPSS-IOSCO Principles for financial market infrastructures (PFMI) states that financial market infrastructures (FMIs) should provide relevant information to participants, relevant authorities and the broader public. Quantitative data is an important component of the set of public disclosures that is expected of FMIs as part of satisfying the PFMI.

In February 2015, CPMI-IOSCO issued the *Public Quantitative Disclosure Standards for Central Counterparties* that sets out standards that central counterparties (CCPs) are expected to meet. These standards complement the *Disclosure framework* published by CPSS and IOSCO in December 2012. These quantitative disclosures, together with the *Disclosure framework*, form the minimum disclosures expected of CCPs under Principle 23, Key Consideration 5, of the PFMI. CCPs are encouraged to complete this minimum set of disclosures as soon as practicable and by 1 January 2016 at the latest, and to update in accordance with the frequencies set out in the matrix in the standard.

2. What is the purpose of the CCP Public quantitative disclosure?

The disclosures are intended to support the objectives of enabling stakeholders, including authorities, participants (direct, indirect and prospective) and the public, to:

• compare CCP risk controls, including their financial condition and financial resources to withstand potential losses;

• have a clear, accurate and full understanding of the risks associated with a CCP (in accordance with Principle 23, Key Consideration 5);

• understand and assess a CCP’s systemic importance and its impact on systemic risk in all jurisdictions and currency areas for which it provides services, from which it has material membership or in which there are linked infrastructures;

• understand and assess the risks of participating in CCPs (directly, and, to the extent relevant, indirectly).

3. **What kind of information can be learnt from CCP public quantitative disclosure?**

The CCP public quantitative disclosure matrix, defined by CPMI-IOSCO according to PFMI, covers information regarding credit risk (principle 4), collateral (principle 5), margin (principle 6), liquidity risk (principle 7), exchange of value settlement systems (principle 12), default rules and procedures (principle 13), segregation and portability (principle 14), general business risk (principle 15), custody and investment risks (principle 16), operational risk (principle 17), access and participation requirements (principle 18), tiered participation arrangements (principle 19), FMI links (principle 20) and disclosure of rules, key procedures and markets data (principle 23).

<u>Technical Questions</u>

1. **Why aren't all notional amounts, in particular in the case of exchange traded instruments, given consistently in currencies (e.g. 23.1)?**

The nature of some ETD contracts makes conversion into currency difficult and risks misleading or inaccurate reporting. Particularly for reporting volume, it is market convention to use the units of the contract for reporting (i.e. bushels of corn or megawatt hours of electricity), and changing that would create inconsistencies across market participants and their understanding of our long-held reporting practices.

2. **With regard to CCP's own contributions (SITG), why do most CCPs only disclose own capital used before the non-defaulting members' contributions (4.1.1) and only a small fraction of CCPs disclose own capital used alongside or after the non-defaulting members' contributions (4.1.2 and 4.1.3)?**

CCPs' disclosure of SITG should be aligned with their rulebooks. Due to different arrangements of the default waterfall, it is possible that SITG be used before, alongside or after member contributions, either individually or successively.

3. **Why are links given instead of specific data points in some cases?**

Many of the data points are duplicative of data reported elsewhere for the CCP and replicating or adjusting the reporting (or in the case of monthly data where the template calls for quarterly or averages) could lead to critical misunderstandings among the stakeholders who rely upon the original sources of data. This is particularly true for audited data, such as financial reporting, which the firm has a legal obligation to report accurately outside the CPMI-IOSCO framework. Further, where data points outside the template updates more frequently than the quarterly reports, **for example IM in 6.4.13,** it may be misleading or meaningless to report snapshot details where more up-to-date data is available.

4. **Why do method of calculating disclosure items regarding general business risk (section 15) could be inconsistent among CCPs?**

As each firm will rely on local accounting standards for their filings (i.e. US GAAP, UK GAAP, IFRS, etc.), there will be minor differences in how this section is reported.

5. **With regard to disclosure timeframe, is it possible that CCPs publish their data shortly after the end of each quarter without delay?**

Because of the sensitivity of earnings releases and other publicly available financial information, earlier publication of the PQDs is not possible. Our members have committed to publishing on a consistent, one quarter lag and have done so for nearly two years. Most firms' publications include the publish date, which is amended for any revisions.

6. **Can quarterly files be summarized in a single file by CCPs in order to facilitate time series analysis?**

This would be inappropriate for CCPs to implement. Specifically, this could cause potential issues of aggregating the data (i.e. fat finger errors), creating inconsistencies between the quarterly and aggregated files. It will always be necessary to perform some form of alteration to match up CCPs because of the unavoidable differences between CCPs caused by unique structures in clearing service and offerings. It seems to us, that it would be preferable for the analysts performing this alteration to store the time series data locally, so such alterations can be limited to individual quarters, rather than running the full updated aggregate file of each CCP every quarter.
Finally, CCPs' reports will evolve over time (i.e. new products or clearing services, new collateral policies, gaining access to central banks, etc.), creating the impression of jumpy data quarter over quarter. Providing the details of these changes in individual quarterly files ensures users are aware of the changes and can more accurately interpret the new files. We are concerned that an aggregated file would lose the detail necessary to properly understand the natural changes between each quarter.

CCP12 Team

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