

EXCO  
Meeting Minutes  
21 February 2018

**Attendees:**

- Agnes Koh (AK), SGX
- Erica Brown (EB), Nasdaq
- George Kormas (GK), TMX
- Kausick Saha (KS), CCIL
- Ketan Patel (KP), HKEx
- Kevin McClear (KM), ICE
- Lee Betsill (LB), CME
- Marcus Zickwolff (MZ), CCP12
- Mikio Hinoide (MH), JSCC
- Slawomir Panasiuk (SP), KDPW
- Teo Floor (TF), EUREX
- Timothy Cuddihy (TC), DTCC
- Vikram Kothari (VK), NSCCL

**Other attendees:**

- Laura Astrada (LE), DTCC
- Nora Pelamo (NP), CCP12
- Robert Taylor (RT), CME

**Agenda**

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1. Review preparation PSG meeting 22 Feb	Presenter
<p>MZ informed that we have a quite few delegation members from <i>CME</i>; <i>ICE</i>; <i>LME/HKEX</i>, <i>NASDAQ</i>; <i>SHCH</i> and <i>EUREX</i> attending the PSG in Frankfurt. Presentation has been attached and already some comments were received by HKEx and ASX. ASX respectfully emphasized that we should not be as bold regarding comparability and precise information which is acceptable. HKEx suggested adding details on auctions during default management, however the reason why we wished not to add a lot of information on the matter was to use this to trigger a discussion. Hedging was also added to be mentioned within the presentation.</p> <p>KM wanted to know, what was the aspect about hedging needing to be mentioned. MZ then further explained that it was cost related. LB then suggested that maybe it is worth mentioning as it aims to minimize systemic risk as fast as possible, furthermore TC added that it can be done with or without members. MZ also mentioned that he will be having a meeting with Klaus Loeber who's the head of <b>oversight</b>, at the ECB Market Infrastructure division on Friday with some CCP12 delegation members who participated to the PSG.</p> <p>MZ promised to report the Exco on both meetings.</p>	MZ

2. Approval of response to ESMA on anti-procyclicality measures	Presenter
<p>MZ then continued to thank everyone on the comments and input given to the drafted response and all of them will be taken into an account and the draft will be circulated again in the beginning of the next week latest.</p> <p>TC highlighted that regards to the overall response we should aim to keep it in balance and give another final round for comments once more.</p> <p>TF questioned if we are planning of co-signing with others (such as EACH)? MZ further explained that we have not seen a response from EACH and as we are approaching the deadline, therefore it might be best to focus on our response. LB then thought that it had already been settled that both do separate responses due to the third party point of view.</p> <p>LB also asked what further guidelines should be added then.</p> <p>TC emphasized again a more balanced response and maybe our mindset is very narrow in terms of descriptive approach analyses which has not been emphasized nor confirmed by ESMA being the official approach.</p> <p>GK explained that the one thing that struck him in the response was that under the PFMI we are all required to have model validation done externally and our models define what we are trying to achieve. He then continued suggesting that why don't we use the fact that we have all built these validation frameworks whilst staying true to the principal and make it clear that we do have regular assessments done for our model, which was supported by LB.</p> <p>TC, promised to elevate the key points and to balance the content by Friday this week.</p>	MZ

<h3>3. Approval of Observer application NZX Clearing</h3>	<p>Presenter</p>
<p>No objections nor questions made, therefore NZX Observer membership was accepted. MZ highlighted the fact that they will present themselves in Shanghai and apply for the primary membership in June.</p>	<p>MZ,</p>

<h3>4. Possible activities by CCP12 on cyber security</h3>	<p>Presenter</p>
<p>MZ informed that HKEx had introduced the theme of cyber security and proposed CCP12 to take an active role.</p> <p>ASX had stated to MZ on a call before the EXCO that they're take on the matter is that most CCP12 members are not stand alone CCP's but belong to market infrastructure provider groups where these types of services are not solely under the CCPs control, but operated on group level.</p> <p>KP further commented that WFE and some others have published relevant papers regarding the subject and management at HKEx wanted to approach CCP12 to see whether the subject could be taken forward. KP also mentioned that the current manner of action proposed internationally is not recommendable and it would be useful to look for more answers and his IT team would be able to help and give guidance, thus maybe a sub-group could take this on-board?</p> <p>LB, requested would our advocacy be focused on best practices? And KP confirmed. GK also confirmed that his team is currently working on this subject and is able to step in as well. TC mentioned this to be a very hot topic for the Fed in the US as well and currently they seem to be copying the banking industry for CCP's as well.</p> <p>It was then agreed that the OWC would take the theme on board by gathering a sub-committee group of experts to gather suggestions for best practices.</p>	<p>MZ</p>

<h3>5. Possible advocacy by CCP12 on Emir 2</h3>	<p>Presenter</p>
<p>MZ forwarded the Exco to discuss the possible advocacy of CCP12 on Emir 2 Nevertheless, this is a good topic for the Policy Working Committee to tackle on. TC agreed and had asked Laura Astrada from his side to give an overview on the subject as these are points the DTCC would like to raise:</p> <p><i>LA: The draft report by the European Parliament suggested some changes to the EC proposal but are largely in line when it came to supervisory lines between the national competent authorities and ESMA. The discussion still rests with ESMA.</i></p> <p><i>Not only focusing on CCP's business but looking at the aggregate exposure of the CCP engagement in clearing activities to its clearing members and to direct and indirect clients.</i></p> <p><i>Also being focused on the network of activities to substitute the ability of clearing services as well as some recommendations when it comes to being able to relocate not just the CCP itself but maybe also the particular clearing line. The two categories T1 and T2 would be retained. However, if a T2 is under a third line of inspection then the T2 could also extend to the third parties of the CCP's and to the CCP's who have outsourced the operational functions. So that could cause concerns depending on the location of those entities. Those being the highlights of this draft, not forgetting it also does admit the central banks the ability to require a T2 CCP's inputs on reporting</i></p>	<p>MZ</p>

<p><i>liquidity and SST as well as agreeing on cash inspections and demanding to open an account in the central bank.</i></p> <p>TF mentioned that the topic is naturally very political. He also mentioned that fellow associations in Europe have unhelpfully promoted dual supervision being adjusted globally. TF thus did not see the need to continue within this line. KM agreed that as a global group we should aim to enhance the overall global position on CCP supervision. TF, however stated that we need to find our common ground to agree our stance first. LB also agreed that we should explore. It was then agreed to pass this to the PWC to assess further.</p>	
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6. AOB	Presenter
<p>MZ added that DTCC wanted to add GARP Benchmarking initiative to the list of discussion. TC explained that <b>GARP</b> has been pursuing benchmarking for banks and by-side over the last couple of years. They have been advocating to Daniela Russo and others about their capabilities so that if the central banks are interested in standardized stress testing for the CCP's, they could potentially be a source of who could do the modelling and pursue further distribution on this. KP wanted to know if this is a possible topic for the next AGM or SGM and TF requested if a particular strategy to go forward with.</p> <p>TC, confirmed that nothing precise has been planned, however if we would all work on this together we would save ourselves some work rather than do it ourselves. Thus, in generally we are open for the idea gathered so we can put it in our AGM topic list.</p> <p>LB had a couple of things to announce:</p> <ul style="list-style-type: none"> <li>▪ Firstly, we have continued the contracts for another year for both Marcus and Nora.</li> <li>▪ Secondly, brought up the subject of possibly having a discussion with EACH of a potential merger with CCP12.</li> </ul> <p>We can explore this, no particular plan has been devised yet, LB continued. KM supported the idea, but maybe the timing needs to be well thought out as much complications have been recognized within the European level. LB, emphasized that there is no urgency. TF stated that we should first strategize more thoroughly before we reach out. It was then agreed to set up another call to further pursue the idea.</p>	<p>MZ</p>

5.1 New Follow-ups	By	Deadline
PSG update and Klaus Loeber meeting update	MZ	21 March
The OWC to form a sub-committee on cyber Security	OWC	18 Apr
The PWC to take on EMIR 2	PWC	21 March
GARP to be added on the AGM discussion list	MZ, DTCC	23 Feb
5.2 Open Follow-ups from recent calls		
Update on the discussed statistical bulletin proposal on the PQD data	TF	21 March
Consideration for a CCP12 event alongside FIA EXPO Week in Chicago (October 2018)	MZ, chairs	18 April
Invoices have been sent to members, target payment date Jan 31, 2018	All members	completed
CCP12 will re-send SGM minutes due to minor editorial changes have been made	MZ	completed
Draft survey on CCP Access to Central Bank Liquidity to be discussed with PWC chairs	MZ	completed
PSG in Frankfurt on the 22 <sup>nd</sup> of February 2018: participants asked to contact CCP12 Office. Teo Floor can arrange a dinner for participants on 21 <sup>st</sup> Feb.	MZ, TF	completed
Position on MRAC Auction papers to be discussed by RWC.	AN, DM	completed
ESMA consultation on draft guidelines on Anti-Procyclicality Margin Measures for CCP's to be discussed in next RWC call	AN, DM	completed