

PRESS RELEASE

CCP12 PUBLISHES

PRIMER ON INITIAL MARGIN

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A CCP12 WHITE PAPER



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PRESS RELEASE

CCP12 - the Global Association of Central Counterparties publishes “Primer on Initial Margin – A CCP12 White Paper”.

Central counter-parties (CCPs) require their Clearing Members to place initial margin requirements and issue margin calls on a wide range of financial instruments they clear to protect against potential future risk exposures. The initial margin requirements collected by CCPs are one of the critical layers of financial resources held by a CCP to cover counter-party credit risk arising from a potential default of its Clearing Members. Given the importance of initial margin, CCPs need to ensure their initial margin models are effective and robust, and that initial margin is set at levels commensurate with the risk of the products the CCP clears.

The CCP12 White Paper aims to provide background and context on initial margin. It introduces the role and objective of initial margin in the CCP risk management framework, sets out the regulatory expectations on the CCPs’ initial margining framework, discusses the key features of initial margin models and back testing, the primary control performed to monitor the adequacy of the initial margin parameters and initial margin model relative to expected coverage.

“The CCP12 White Paper Primer on Initial Margin presents detailed background information on Initial Margin, a key line of defense in the financial safeguarding of a CCP,” said Mr. Ketan Patel, Deputy Group Risk Officer at Hong Kong Exchanges and Clearing and Co-Chair of the Risk Working Committee of CCP12.

“With this White Paper, CCP12 provides an informative and educational compendium, which underlines the safety, transparency and robustness of the financial market,” said Mr. Dale Michaels, Executive Vice President Financial Risk Management at OCC and Co-Chair of the Risk Working Committee of CCP12.

CCP12 is a global association of 35 members who operate more than 50 individual CCPs globally across Europe/Middle East/Africa (EMEA), the Americas, and the Asia-Pacific (APAC) regions. CCP12 aims to promote effective, practical and appropriate risk management and operational standards for CCPs to ensure the safety and efficiency of the financial markets it represents. CCP12 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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