

CCP12 2019 HALF YEAR REPORT

JULY 2019



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CEO Note

Dear Reader,

Welcome to the half year report of the Global Association of Central Counterparties also known as “CCP12”. We are delighted that you take the time to focus on our news and we sincerely hope that the information provided is useful to understand the work of our association.

CCP12 was founded in 2001 and the CCP12 office was officially registered in 2017 and since then has significantly increased its important position as the Global Association of Central Counterparties. This was only possible because of our committed members. Due to the continuous support and expertise of our members, we can enhance CCP12’s position in the world of industry associations and ensure that the voice of global CCPs are recognized.

We have a full work plan and many ideas and projects in the pipeline. So, keep an eye on www.ccp12.org. If you happen to have any questions, or would like to receive more information about CCP12 and its work, or are interested in joining the Global Association of Central Counterparties, please don’t hesitate to contact office@ccp12global.com.

We look forward to hear from you!

Best Regards,

Marcus



*Marcus Zickwolff,
CEO CCP12*

Recent News

CCP12 WELCOMES BCBS PUBLICATION ON LEVERAGE RATIO TREATMENT OF CLIENT CLEARED DERIVATIVES (Shanghai, 26th of June 2019)

On June 26th, the Basel Committee on Banking Supervision released a publication entitled, "Leverage ratio treatment of client cleared derivatives" ([BCBS publication](#)). In the publication the BCBS agrees to revise the leverage ratio treatment of client cleared derivatives with the standardized approach to measuring counterparty credit risk exposures (SA-CCR) used for risk-based capital requirements. In effect, this will allow banks initial margin and variation margin received from a client to offset the replacement costs and potential future exposures for client cleared derivatives provided such initial and variation margin is appropriately segregated. This revision will take effect 1 January 2022.

This change is a result of a consultation the BCBS conducted in October 2018 ([BCBS consultation](#)). CCP12 responded to such consultation by an effort borne out of the Policy Working Committee submitting a response mid-January 2019 ([CCP12 response](#)). The BCBS' current publication is aligned with our advocacy efforts and CCP12 is very pleased with the result.

As an association, we believe this revision should allow more efficiency related to client clearing and incentivize client clearing at large. Specifically, it should encourage banks to onboard more clients and make it easier for porting clients during times of potential market stress or individual clearing member defaults. More broadly, BCBS is of the opinion, "that this targeted and limited revision balances the robustness of the leverage ratio [...] with the policy objective set by the G20 Leaders to promote central clearing of standardized derivative contracts as part of mitigating systemic risk and making derivatives markets safer" , which CCP12 fully supports.

In respect to implementation, more work is likely needed from an advocacy point of view in order ensure that this is implemented correctly and across the globe uniformly. Markets are global and, as such, the association will work towards ensuring this positive change is not stifled by poor national enactment.

The press release can be found [here](#).

SECOND CCP12 INTERNAL FIRE DRILL TRAINING (London, 3rd of June 2019)

On 3 June 2019 the second CCP12 fire drill training took place in London – in conjunction with the FIA IDX. The training was attended by 15 participants from 11 CCP12 Members. The attendees

- Discussed key aspects of state-of-the-art CCP Risk Management
- Discussed challenges and limitations of CCP Risk Management
- Discussed potential outlook of risk management in the light of new technologies
- Ran through a typical CCP Fire Drill as a strong instrument to test the robustness of a CCP

A public training will take place in Singapore on 6 December 2019 (in conjunction with the FIA Asia) under the new name “Introduction into CCP Risk Management and fire drill”. **If you are interested in participating in this or any other trainings, kindly inform office@ccp12global.com.**



*Second CCP12 Internal fire drill
workshop*

ANNUAL GENERAL MEETING 2019 (London, 6th of June 2019)

On 6 June 2019, the CCP12 AGM was held in London in the presence of 24 Primary Members and 2 Observer Members. ICE Clear Europe kindly hosted the assembly.

The Membership proceeded with the following:

- Istanbul Clearing, Settlement and Custody Bank Inc. from Turkey (Takasbank) and Multi Commodity Exchange Clearing Corporation Limited from India (MCXCCL) were accepted as Primary Members of CCP12
- The usual association formalities like minutes of last meeting, updated Articles of Association and the National Social Organizations Annual Review Audit Report for the year 2018 were approved
- Work plan, a progress report and Financial optimization plan were discussed
- First very positive experiences of the CCP12 secondment program were reported



“I am delighted to welcome our new members Takasbank, MCXCCL and VSD to the CCP12 community and hope that we can increase our influence in the clearing world even more by welcoming further CCPs to our association. The AGM clearly appreciated the growth of CCP12 and the office located in Shanghai is dedicated to extend the membership base worldwide”, said Marcus Zickwolff, CEO of CCP12, AGM London 2019

- Updates from working committees were given:
 - The Operations Working Committee focuses on 3rd party vendor risk management and deliberates a best practices paper
 - The Policy Working Committee focuses on the ESMA consultations on Fees, Comparable Compliance and Tiering
 - The Risk Working Committee focuses on the CPMI-IOSCO discussion paper on central counterparty default management auctions
 - The Public Quantitative Disclosure Working Committee focuses on the next quarter publications of PQD Newsflash and PQD Newsletter

The press release can be found [here](#).

New members

In the first half of 2019 Istanbul Clearing, Settlement and Custody Bank Inc. from Turkey (Takasbank) and Multi Commodity Exchange Clearing Corporation Limited from India (MCXCCL) joined CCP12 as a Primary Member. Vietnam Securities Depository joined CCP12 as an Observer Member.

Takasbank offers central counterparty services for the Securities Lending Market, the Organized Derivatives Market, the Money Market, the Equities Market, the Borsa İstanbul Debt Securities Market and the Borsa İstanbul SWAP Market. MCXCCL undertakes clearing and settlement for MCX, India’s largest Commodity Exchange. VSD executes clearing and settlement for derivatives transactions under CCP mechanism.

CCP12 has now 34 Primary Members and 3 Observer Members encompassing CCPs operating across Africa, the Americas, Asia, Australia and Europe and representing over 60 individual CCPs.

We welcome enquiries to become a part of CCP12 from CCPs for exchange-traded business or OTC markets. **All enquiries about joining CCP12 should be directed to the CCP12 Secretariat office at office@ccp12global.com.**





Publications

The four CCP12 Working Committees have been very productive in the last year. Please find below examples on deliverables.

If you are interested in the full responses or further papers, please click [here](#).

CCP BEST PRACTICES – A CCP12 POSITION PAPER

On 28 May 2019 CCP12 published “CCP Best Practices – a CCP12 Position Paper”.

The critically important role of central counterparties (CCPs) in the global financial marketplace has been subject to heightened focus since the G20 mandate to centrally clear standardized over-the-counter derivatives. This clearing mandate and other post-crisis regulatory reforms was driven by the robust performance of CCPs during the 2008 global financial crisis. The stability of cleared derivatives markets during this time of unprecedented stress is unsurprising in light of the long history and best practices of the clearing for exchange-traded derivatives.

Recognizing this important role in the marketplace, CCP12, the Global Association of Central Counterparties, has produced a new position paper this “CCP Best Practices”, to elaborate on key practices surrounding CCPs’ operations and risk management. The position paper points out that policymakers must continue to support the use of global CCP clearing services due to the systemic risk benefits inherent to central clearing, and should everything in their power to avoid taking steps that could undermine the benefits that market users received from central clearing organizations. In this new position paper, CCP12 has coordinated with global CCPs to cover the following risk management topics: Membership Criteria; Monitoring of Financial Risks; Financial Safeguards; Margin Methodology; Stress Testing; Default Management; and Governance.

The position paper can be downloaded [here](#) and the corresponding press release is available [here](#).

INCENTIVES FOR CENTRAL CLEARING AND THE EVOLUTION OF OTC DERIVATIVES – A CCP12 REPORT

On 25 February 2019 CC12 published the report “Incentives for Central Clearing and the Evolution of OTC Derivatives – a CCP12 Report”. Ten years after the G20 Leaders’ commitment to reform over-the-counter (OTC) derivatives markets, this paper examines the progress made in the central clearing with an emphasis on the incentives that are in place. The report is intended to supplement the Derivatives Assessment Team of the Financial Stability Board report, “Incentives to centrally clear over-the-counter derivatives”. The report can be summarized in the following five key findings:

- Central clearing, especially for OTC derivatives, has been increasing steadily since the introduction of mandates and incentives after the financial crisis.
- The level playing field between centrally cleared and uncleared markets will be achieved in the next few years.
- The case studies of specific OTC derivatives markets show that central clearing is also used without regulatory mandates.
- In the future CCP-based transactions will have more cost benefits than uncleared markets.
- Incentives and mandates are working on many markets, but there are exceptions like in the FX markets, the options market and with legacy portfolios

The report concludes that additional transparency, especially in the uncleared market, is needed:

- CCPs provide market transparency through Public Quantitative Disclosure (PQD)
- There is no public disclosure for the uncleared market, but mandatory reporting to Trade Repositories (TRs).
- Post-trade transparency has made this study possible. As a result, much of the analysis of uncleared markets is based on transparent US markets.
- The industry is still lacking accessible post-trade transparency for the rest of the world, most notably Europe, given the size of its derivatives markets.
- In the future, improved accessibility to data, particularly for uncleared markets, is vital to be able to update and improve on studies such as this.

The full report can be found [here](#).

The press release can be found [here](#).



Incentives for Central Clearing and the evolution of OTC Derivatives publication

PQD NEWSFLASH AND PQD NEWSLETTER

On 26 April 2019 CCP12 published the PQD Newsflash for Q2/2018. The Newsflash gives a high-level overview of published collated figures. In the last collation 36 CCPs (representing 23 CCP12 members) were included: 11 CCPs from the Americas, 13 CCPs from APAC, and 12 CCPs from EMEA. For Q4 2018 the CCPs included in the collation required over USD 702 billion of initial margin and had USD 90 billion in additional default fund resources. **The latest Newsflash can be found [here](#).**

On 29 April 2019 CCP12 published also the PQD Newsletter for Q2/2019, which examines a number of CCP risk management indicators in greater details, including initial margin and default fund requirements, the collateral composition of the initial margin and default fund contributions, and average daily variation margin. Data sets are grouped both by the region in which the CCP is located, as well as by the underlying asset classes cleared by the CCP. In the latest collation for Q4 2018, the newsletter also comprises of a YoY comparison against Q4 2017. **The latest Newsletter can be found [here](#).**

More information on the PQDs (the template, the included CCPs and previous publications) can be found [here](#). Questions can be directed to question.pqd@ccp12global.



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CCP12 is a global association of 37 members who operate more than 60 individual CCPs globally across EMEA, the Americas and the Asia-Pacific region. 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 of its members and seeks to actively engage with regulatory agencies and industry constituents through consultation responses, forum discussions and position papers.



CCP12