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CCP12

BI-ANNUAL NEWSLETTER



SUMMER EDITION

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CEO NOTE

Dear Reader,

We hope that you have enjoyed the summer – and hopefully some time off to relax and enjoy other things than central clearing. Since our last newsletter, the world has regrettably witnessed heightened tragedy, both human-made and natural. The political, economic, and environmental turbulence colours the year, despite various promising developments including the decrease in the impact of covid. In this context, it is all the more important that reasonable forces and people seek to stabilise and improve our common circumstances.

In our professional sphere, at least, I am pleased to remark that ongoing operational excellence and business-as-usual for CCPs. Changes in economic and financial conditions are reflected in market prices, and the centrally cleared ecosystem has – as always – proven its ability to fulfill its role in delivering reliable and pertinent modes of risk transfer for their participants. This is true in venerable markets across agriculture and energy, as well as experimental ones such a crypto based markets.

For The Global Association of Central Counterparties – CCP12 – the first half of the year was marked by increased activity in responding to consultations, improving transparency, and enabling our membership to learn off each other and develop best practices.

We also held our Annual General Meeting in a hybrid format – the first time since covid lockdowns that so many of us were able to meet in-person. I want to thank all our members for their input and efforts for a great AGM, and our academic and regulatory friends of their thoughtful and active participation. In particular, we were honoured that Commissioner Johnson of the CFTC came to give a keynote speech to us. As part of the AGM, we held our biannual elections; congratulations to our Executive Committee members, and a warm welcome Sukho Jung from KRX to our ExCo!

CCP12 continues to grow its capabilities and usefulness to our members and interlocuters; this newsletter includes information on our new offices in Shanghai, and our Amsterdam legal entity. Finally, we take the time in this newsletter to mention our current secondees and intern, both part of programmes that CCP12 has maintained for years, offering our members and university students the opportunity to contribute and learn.

I hope you enjoy this edition – happy reading!

Teo



TEO FLOOR
CCP12 CEO

Recent News

CCP12 HELD ITS ANNUAL GENERAL MEETING IN MADRID, SPAIN

On the 22nd of June, 2022, CCP12 held its Annual General Meeting in Madrid, Spain and virtually. As part of the Annual General Meeting, CCP12 members elected a new Executive Committee and Chairs to lead the association for the next 2 years. Kevin McClear, President of ICE Clear U.S. at Intercontinental Exchange Inc., was elected as Chair of CCP12. Dmitrij Senko, Chief Risk Officer of Eurex Clearing Group, and Kausick Saha, Chief Risk of Clearing Corporation of India Ltd, were elected as Vice-Chairs. Tim Cuddihy, Managing Director at DTCC, will continue to serve as the Treasurer. Sukho Jung – President of Clearing Division was elected as a new ExCo member.

CCP12 was delighted that Commissioner Kristin N. Johnson from the CFTC opened the CCP12 AGM with a keynote speech.

CCP12 members approved the membership upgrade request from CCP12 Observer Members Bursa Malaysia Berhad and Argentina Clearing S.A. to Primary Members. Bursa Malaysia Berhad joined the association as an Observer Member in 2021, and Argentina Clearing S.A in 2016.

The AGM was held for the first time as a hybrid version of in-person and video conference meetings, with more than 30 people attending in person and 60 people virtual.

In the second part of the AGM, CCP12 welcomed guests to an open industry discussion with market experts, regulators, and academics. The session started with the “Commodity markets a lookback and the road ahead” panel and was followed by the “Default Management – Process, Auctions, Porting” panel.

[To read the Press Release, please click here.](#)

[To learn more details about AGM, please click here.](#)



KEVIN MCCLEAR
CCP12 CHAIR



DR. DMITRIJ SENKO
CCP12 VICE CHAIR



KAUSICK SAHA
CCP12 VICE CHAIR



TIMOTHY CUDDIHY
CCP12 TREASURER



SUKHO JUNG
NEW EXCO MEMBER (KRX)

Publications

CCP12 responds to the CFTC Request for information and comment on the Swap Clearing Requirements To Account for the Transition From LIBOR and Other IBORs to Alternative Reference Rates

In the response to the CFTC Request for information and comment on the Swap Clearing Requirements To Account for the Transition From LIBOR and Other IBORs to Alternative Reference Rates ([Link](#)), published on January 24, 2022, CCP12 generally supports the CFTC's effort to establish the new clearing mandates to reflect the transition of swaps referencing LIBOR to the relevant Risk-Free Rates, emphasizes the importance of clearing and supports a smooth transition, which is aligned between global standard setting bodies and regulators in different jurisdictions across the world.

[To read the full response please click here.](#)

CCP12 responds to ESMA's Consultation Papers on CCP resolution regime

In CCP12's response to ESMA's consultation papers on CCP resolution regime, published on January 24, 2022, CCP12 provides views on the content of CCP resolution plans ([Link](#)), the methodology to value each contract prior to termination ([Link](#)), valuation of CCPs assets and liabilities in resolution ([Link](#)), and the application of the circumstances under which a CCP is deemed to be failing or likely to fail ([Link](#)).

[To read the full response please click here.](#)



CCP12 responds to the BCBS, CPMI, IOSCO Consultative Report on Review of Margining Practices

In CCP12's response to the BCBS, CPMI, IOSCO joint Consultative Report on Review of Margining Practices ([Link](#)), published on January 26, 2022, CCP12 provides its views on the performance of CCPs during the Covid-related stress events, which mitigated counterparty credit risk, ensured robust mark-to-market and collateralisation through the stress event, and on CCPs practices, which were appropriately anti-procyclical and as such, CCPs successfully supported the stability of their respective markets and the financial markets in general.

Furthermore, CCP12 refers to the significant transparency already provided by CCPs, including on margining and emphasizes its advocacy of CCPs' transparency, given its benefits for risk management.

CCP12 furthermore emphasizes its support for future efforts on transparency especially for the non-centrally cleared market and the practices of intermediaries and requests that the data and information relating to non-centrally cleared markets be improved. A concept paper for Market Participant Public Quantitative Disclosures has been attached.

[To read the full response please click here.](#)

CCP12 responds to the CPMI and IOSCO discussion paper on client clearing: access and portability

In the response to the CPMI and IOSCO discussion paper on client clearing: access and portability ([Link](#)), published on February 7, 2022, CCP12 agrees that no further guidance on the PFMI is necessary in the context of the new client clearing access models and client porting.

CCP12 also stresses that direct and sponsored access models still need time to mature and become more widely used, that it is important to address local regulatory hurdles, e.g., by promoting the porting of clients' positions and assets and that a regulatory deference approach globally would be welcome.

CCP12 expresses its readiness to engage in cooperation with the international Standard-Setting Bodies in order to work out what actions need to be taken in order to make porting robust and/or more effective in the jurisdictions where porting is currently not a viable or likely option of dealing with a CCSP default.

[To read the full response please click here.](#)





CCP12 responds to the Bank of England's Consultation Papers on the approach to tiering incoming CCPs (EMIR Art. 25) and the approach to comparable compliance (EMIR Art. 25a)

In the response to the Bank of England's Consultation Papers on **(1)** the Bank of England's approach to tiering incoming central counterparties under EMIR Article 25 ([Link](#)) and **(2)** the Bank of England's approach to comparable compliance under EMIR Article 25a ([Link](#)), published on February 25, 2022, CCP12 welcomes the BoE's intention to commit to an approach of regulatory deference to tiering incoming CCPs and comparable compliance, voices concerns over the initial triage criteria, proposes that the scope of UK CMs should exclude non-UK affiliates and disagrees with the subjective nature of the systemic risk assessment.

CCP12 also asks for clearer criteria which would have a clear nexus to the UK and for more clarity on the timeline and on what actions CCPs should undertake next.

[To read the full response please click here.](#)

CCP12 responds to ESMA's consultation paper on the review of RTS No 153/2013 with respect to procyclicality of margin

In CCP12's response to ESMA's consultation paper on the review of RTS No 153/2013 with respect to procyclicality of margin ([Link](#)), published on March 31, 2022, CCP12 provides its views on ESMA's suggestion on APC margin measures for CCPs.

CCP12 emphasizes the performance of CCPs during the crisis and suggest that improvements should be reviewed on a more holistic basis across financial markets, it is stressed that standardization and homogenization is needed in the bilateral markets and not for APC margin measures used by CCPs, it is argued that an incorporation and enhancement of provisions of the existing Guidelines into the RTS is necessary, CCP12 urges ESMA to not apply an overly prescriptive approach, but rather leave it to EU CCPs what APC measures and practices are appropriate and ESMA is asked to coordinate its efforts with other international standard setting bodies rather than moving forward separately.

Lastly, CCP12 highlights the transparency of CCPs but also emphasize our support for future efforts on transparency, especially for the uncleared market and the practices of Clearing Members (MPPQDs).

[To read the full response please click here.](#)



CCP12 responds to ESMA's call for evidence on an approach to Climate Risk Stress Testing of Central Counterparties

In CCP12's response to ESMA's call for evidence on an approach to Climate Risk Stress Testing of Central Counterparties ([Link](#)), published on April 21, 2022, CCP12 provides its views on this important topic as it recognizes the importance of mitigating the potential risks and impacts of climate change and the need for CCPs to consider both direct and indirect impacts, such as on their members.

[To read the full response please click here.](#)

CCP12 responds to the FSB, CPMI and IOSCO Report "Central Counterparty Financial Resources for Recovery and Resolution"

In the response to the FSB, CPMI and IOSCO Report "Central Counterparty Financial Resources for Recovery and Resolution" ([Link](#)), published on May 11, 2022, CCP12 emphasises that no further work on CCP resources is necessary, as affirmed by the results of the scenario analysis covered in the Report. The group stresses the implausibility of both – default and non-default scenarios and the fact that despite it, CCPs performed overall very well.

We also argue that requiring CCPs to provide additional resources would be a wrong idea – not only would they not alleviate many NDL types of risks but would also distort the incentive structure for DLs. If the SSBs nevertheless decide to continue work on CCP resources, CCP12 is ready to engage and provide its expertise in the process.

[To read the full response please click here.](#)

CCP12 responds to the CFTC Request for Comment on FTX Request for Amended DCO Registration Order

In the response to the CFTC Request for Comment on FTX Request for Amended DCO Registration Order ([Link](#)), published on May 11, 2022, CCP12 raises numerous concerns regarding FTX's proposed clearing model (i.e., offering direct clearing to retail and other participants for margined derivatives products) and the many risks that stem from this proposal.

If approved by amending FTX's registration order, this would represent a radical change in the clearing landscape, which would have far-reaching consequences for many stakeholders, including other CCPs, market participants, end/retail clients and the economy as a whole.

[To read the full response please click here.](#)



CCP12 responds to the OECD Public Consultation Document “Pillar One – Amount A: Regulated Financial Services Exclusion”

In the response to the OECD Public Consultation Document “Pillar One – Amount A: Regulated Financial Services Exclusion” ([Link](#)), published on May 20, 2022, CCP12 calls for an explicit exclusion of CCPs from the scope of application of Amount A.

CCPs are highly regulated entities, subject to local regulatory requirements in their home jurisdiction that are consistent with international standards (i.e., PFMI) are driven by the G20 and other multilateral organisations.

Thus, they should be subject to the same exclusion as currently envisaged for Regulated Financial Institutions (including Depository Institutions, Mortgage Institutions, Investment Institutions, Insurance Institutions, Asset Managers, Mixed Financial Institutions and RFI Service Entities).

It is very important to appropriately design a taxation framework for CCPs, as has also been emphasised by the IMF.

[To read the full response please click here.](#)

CCP12 responds to the CFTC Proposed Rule on Clearing Requirement Determination for IRS To Account for the Transition From LIBOR and Other IBORs to Alternative Reference Rates

In its response to the CFTC Proposed Rule on Clearing Requirement Determination for Interest Rate Swaps To Account for the Transition From LIBOR and Other IBORs to Alternative Reference Rates ([Link](#)), published on June 30, 2022, CCP12 commends the CFTC for broadly taking into account the feedback received in the previous consultation round from CCP12 and some of its members.

We generally welcome the Proposed Rule, emphasise the importance of central clearing, stress the role of CCPs in market transition to RFRs and notice the voluntary move of market participants to use the CCPs' services in this regard.

[To read the full response please click here.](#)

CCP12 response to Bank's Consultation Paper on Outsourcing and third-party risk management: Central Counterparties

In its response to the Bank of England Consultation Paper on Outsourcing and third-party risk management: Central Counterparties ([Link](#)), published on July 14, 2022, CCP12 provide its views and comments to the different areas in the proposal to the draft Supervisory Statement.

[To read the full response please click here.](#)



Annual Markets Review

Annual Markets Review 2021 in Central Counterparty Clearing – A CCP12 Report

In July 2022, CCP12 published 'Annual Markets Review in Central Counterparty Clearing – A CCP12 Report', the fourth installment in a series of reports exploring the financial ecosystem and market activities in relation to the cleared and uncleared markets, covering trends, events, and data from 2021.

In 2021, CCPs continued to provide robust risk management and transparency to their members and contributed to the markets' smooth transition to the new Risk-Free Rates ("RFRs"). Global Standard-Setting Bodies ("SSBs") and local authorities continued to look at potential ways to improve the functioning and safety of markets and their participants in the form of various consultation papers and proposals for new legislation as described in subsequent chapters.

Developments in individual markets and CCPs, related to i.a. licencing, default management practices, and account and segregation models are presented in the case studies written by CCP12 Members: ComDer, CRCC, DTCC, Eurex and SGX, JSCC, JSE Clear, NSE, and SHCH. Reaping the benefits of CCPs' rich disclosures, a selection of data demonstrating CCPs' performances and available resources is also provided in this edition of the AMR.

To access the full report, including members' case studies, please check the [CCP12 website](#).

In the previous Annual Market Review Report, published in 2021, covering 2020, CCP12 covered the COVID-19 Crisis and its effect on cleared markets as its main connecting theme, supplemented with case studies exploring salient aspects of both business-as-usual and special circumstances across our membership.

2020 was overshadowed by the health and economic crisis arising from the COVID-19 Crisis, so much so that what would otherwise have been remarkable news stories for the markets – transition to risk-free-rates, negative oil prices, Brexit, and key elections – have taken second stage.

[To read the annual market review on 2021 please click here.](#)
[To read the annual market review on 2020 please click here.](#)



PUBLIC QUANTITATIVE DISCLOSURES

CCP12 releases industry update to the PQD publication timeline and new PQD documents

On 16 May, 2022, CCP12 announced the change to the PQD publication timeline from 3-months after the quarter-end to 2-months after the quarter-end, the release of an updated Public Quantitative Disclosure Frequently Asked Questions Guide (“PQD FAQ Guide”), and an upcoming launch of a new PQD report entitled PQD Quarterly Trends Report for the 2022 Q1 PQD data onwards.

[To read the press releases please click here.](#)

CCP12 publishes PQD Newsflash Q3 2021

In January 2022, CCP12 published its fourteen PQD Newsflash, which includes the PQD data for Q3/2021.

The Newsflash gives a high-level overview of published collated figures in the field of risk management provided by Central Counterparties around the globe. It seeks to complement existing public statistics, such as the BIS derivatives statistics, by providing a summary of key indicators. In the last collation 51 CCPs included: 15 CCPs from the Americas, 20 CCPs from APAC, and 16 CCPs from EMEA.

For Q3 2021 the CCPs included in the collation required over USD 1.127 billion of initial margin and had USD 132 billion in additional default fund resources. The data is compiled directly from the source – the CCPs themselves – according to the standardized CCP12 PQD Template, which was implemented and is maintained by CCP12, carrying information stipulated in global regulatory guidance. Further details for individual CCPs can be found in links provided on the [CCP12 website](#).

[To read the Newsflash please click here.](#)



CCP12 Office Updates



Amsterdam

CCP12 opened a new CCP12 entity in Amsterdam

In March 2022, CCP12 opening a separate legal entity in Amsterdam, The Netherlands. This new presence in Europe increases the flexibility and capacity of CCP12 to better serve its membership and conduct its mission. We are also delighted that staff based in Europe now has a based in closer proximity.



Shui On Plaza

CCP12 Shanghai office moved to a new location

In May 2022, the CCP12 Shanghai office moved to Shui On Plaza. The new office, which is located in the beautiful Xintiandi district, will be the new work home for our three Shanghai based staff members.

CCP12 office welcomes a new secondment and a new intern

The CCP12 office welcomes the new secondment, Ruizhe Shi (Joyce) from Shanghai Clearing House and the new intern, YiChen Liu (Chelsey).

Joyce joined the CCP12 Shanghai Office on 18 July and will work primarily on liaison matters with Chinese authorities and representatives. At SHCH, she worked on international cooperation and related issues since 2016.

Chelsey, a student from Shanghai Normal University, started her internship in the Shanghai Office on 5 May and assists CCP12 in administrative matters.

The team is delighted to have 2 new colleagues on board and looks forward to a great collaboration.



YiChen Liu



RuiZhe Shi

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CCP12 is the global association for CCPs, representing 40 members who operate around 60 individual CCPs globally across the Americas, EMEA and the Asia-Pacific region.

CCP12 promotes effective, practical, and appropriate risk management and operational standards for CCPs to ensure the safety and efficiency of the financial markets it represents.



THE GLOBAL ASSOCIATION OF CENTRAL COUNTERPARTIES