

FEBRUARY 2023

CCP12 BI-ANNUAL NEWSLETTER

WINTER EDITION

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CEO NOTE

Dear Reader,

Warm wishes for the new year! I hope that you've enjoyed a peaceful turn of the year with friends and family, and look forward to another orbit about our sun.

2022 was tumultuous, with a breath-taking pace of events both horrendous and the occasional bright spot. Given the tensions of our societal, economic and ecological circumstances, this is unfortunately likely to remain one of the few constants for the new year.

It is in such circumstances – uncertainty about the future, structural shifting of supply and demand, and a rise or return to cost of capital – that economic actors and market participants enter into risk transfer markets in greater volume. The centrally cleared markets should be proud to have been the chosen venue for such exchange to occur, a testament to the advantages of transparency and reliability. We are also witnessing an interest in greater clearing, for instance of government bond and repo markets.

As record volumes are transacted across central counterparties, and as both broad based volatility and idiosyncratic events test the markets, it is all the more reason to remain vigilant and prepare for disruptions. This applies in particular to ensuring sufficient liquidity is available for participants to settle their contracts promptly, and for the ecosystem to guard against operational or IT failures. The linkages between cleared and uncleared markets are also worthy of careful study and evaluation to mitigate the risks of undesirable fracturing or feedback loops.

At the Global Association of Central Counterparties – CCP12 – we will continue to work with our partners and interlocutors on these important matters. The second half of last year was an active one, and it was heart-warming to see the world's CCPs engage with each other in developing best practices, learning from each other, and working with their members, clients, and authorities. Of note is our work with buy-side and sell-side for CPMI-IOSCO on auctions.

For the Secretariat, we are delighted to have been joined by a new Observer Member – KASE, bringing our total membership to 41 (representing some 60 CCPs from New Zealand to Chile). We have also moved into our new Amsterdam Office, and warmly welcome Sandy who has joined us there!

I hope you enjoy this edition – happy reading!

Teo



TEO FLOOR
CCP12 CEO

Recent News

CCP12 HELD ITS VIRTUAL SPECIAL GENERAL MEETING

In the CCP12 Special General Meeting which took place on 30 November 2022, CCP12 members acknowledged the Working Committees updates, working plan for 2023, progress outlook and budget 2022. Furthermore, CCP12 members discussed the upcoming in-person meetings in upcoming years.

[To read the Press Release, please click here.](#)
[To learn more details about meetings, please click here.](#)

CCP12 MEETING IN CHICAGO

In November 2022, CCP12 members had several meetings in Chicago, with international regulators, local regulators, and other associations. CME Group kindly hosted CCP12 members and other guests.



CCP12 MEETING IN CHICAGO

Recent News

CCP12 WELCOMES KASE AS AN OBSERVER MEMBER

CCP12 welcomes Kazakhstan Stock Exchange JSC (“KASE”) as a CCP12 Observer Member. KASE is a fully integrated exchange offering listing, trading, clearing and settlement services.

Kazakhstan Stock Exchange is a stock exchange located in Almaty, Kazakhstan. At the same time, the Exchange acts as the Central Counterparty. KASE provides clearing services on the basis of a respective license issued by the Committee for Control and Surveillance of the Financial Market and Financial Organizations of the National Bank of the Republic of Kazakhstan in 2012. Today, KASE is the only organization that carries out clearing activities within the framework of the legislation of the Republic of Kazakhstan and provides CCP services in the exchange currency and stock markets, as well as in the derivatives market. To read more about KASE by visiting website www.kase.kz.



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

CCP12 ANNUAL GENERAL MEETING IN BANGKOK, THAILAND - JUNE 2023

CCP12 is delighted to inform you that the next Annual General Meeting will take place in Bangkok on the 13th of June, 2022. The meeting will take place in conjunction with the IOSCO Annual Meeting that will take place on the week of the 12th of June.

For inquiries about the meetings and organizational process, please contact: office@ccp12.org.



BANGKOK, THAILAND

Publications

CCP12 responds to the OECD Progress Report on Amount A of Pillar One

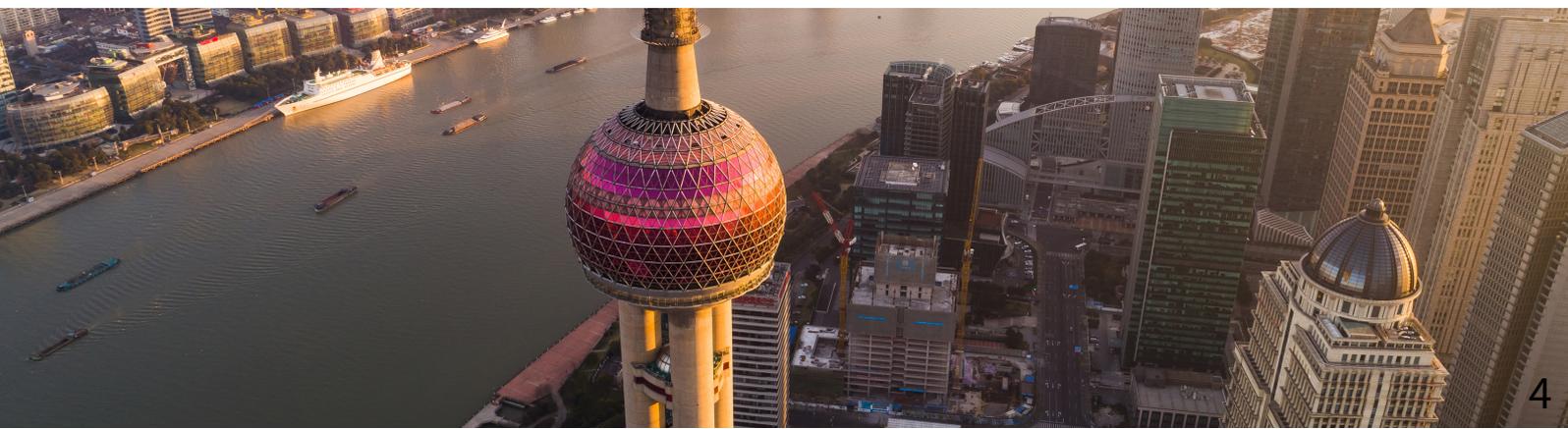
In the response to the OECD Progress Report on Amount A of Pillar One ([Link](#)), CCP12 calls again for an explicit exclusion of CCPs from the scope of application of Amount A. CCPs are highly regulated entities, subject to local regulatory requirements in their home jurisdictions that are consistent with international standards (such as PFMI). CCP12 is of a strong view that the exclusion should be based on the merit of the policy priorities and the special role CCPs play in the markets. Excluding different types of financial institutions (which are participants of the same system and which enjoy the benefits of central clearing) but not financial market infrastructures such as CCPs, which are some of the most strictly regulated and supervised ones and which facilitate the functioning of the financial markets and make them safer, would create an unlevel playing field and an unjustified and very unwelcome gap in the taxation rules.

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

CCP12 responds to the Bank of England's Consultation paper on the fees regime for incoming central counterparties

In the response to the Bank of England's Consultation paper on the fees regime for incoming central counterparties ([Link](#)), CCP12 expresses concerns that the Bank's proposal is inconsistent with global best practices of major jurisdictions and introduces fees which in some cases would be excessively high (especially for smaller and mid-sized CCPs). We are also worried about a certain level of unpredictability of fees which would be charged in the next fee years – in the current model CCPs might not have enough time to appropriately budget for the fees (especially due to the possibility of their adjustment taking place later in the year). If some CCPs are deterred from applying for recognition with the Bank due to the high level of fees or predictability issues, this may cut off UK entities from accessing some non-UK CCPs and have negative consequences resulting from the lack of the QCCP status of some CCPs the services of which the UK entities might be using.

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



CCP12 responds to the ESMA Consultation Paper on the clearing and derivative trading obligations in view of the 2022 status of the benchmark transition

In the response to the ESMA Consultation Paper on the clearing and derivative trading obligations in view of the 2022 status of the benchmark transition ([Link](#)), CCP12 welcomes the changes proposed by ESMA. We fully agree that the introduction of the single currency OIS class referencing TONA (JPY) with maturities up to 30Y to the scope of the CO and the expansion of the maturities for the OIS class referencing SOFR (USD) within that scope are steps in the right direction. The benefits of central clearing have been proven and recognised over the years, as protecting market participants from the bilateral non-centrally cleared risks they were exposed to during the Global Financial Crisis. The decision-making process regarding whether to include the OTC derivatives referencing the RFRs in a CO should be straight-forward, as “this is about accompanying a transition where the products are broadly similar but with different benchmarks”. The transition to RFRs is a realisation of global benchmark reform which further increases the markets’ safety and reliability, therefore the CO determination should be consistent with this reform.

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

CCP12 responds to CPMI and IOSCO A discussion paper on central counterparty practices to address non-default losses

In the response to CPMI and IOSCO A discussion paper on central counterparty practices to address non-default losses ([Link](#)), CCP12 opposes additional standards or guidelines for addressing NDLS as we think that PFMI already provide a solid foundation for risk management practices, including for NDLS-related risks. We find the PFMI comprehensive, while not being overly prescriptive. We also think the CCP survey results presented in the discussion paper do not provide evidence for the need for further work in this area. CCP12 believes that CCPs’ history and past performance, particularly in times of unprecedented stresses, already demonstrate their resilience and ability to effectively manage the risks they face, including NDLS-related risks. At the same time, we can appreciate that information sharing and the exchange of views among CCPs on practices relating to NDLS can be beneficial and we would support efforts to increase the dialogue and information sharing and encourage CPMI-IOSCO to bring together industry participants to share practices through organising workshops or tabletop exercises. In addition, our view is that the CCPs’ and their regulators’ main emphasis in the realm of management of NDLS-related risks should continue to be on CCPs’ taking the appropriate preventative measures that mitigate the likelihood of NDLS and any attempt to shift the focus from NDLS prevention to the CCPs’ amassing more financial resources to cover NDLS will most likely not help to prevent NDLS, or deal with them effectively. We also highlight that it is of the utmost importance that CCPs comply with the PFMI as implemented in their local jurisdictions, and enforced by their local regulators.

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





CCP12 responds to CFTC’s Request for Information on Climate-Related Financial Risk

In the response to CFTC’s Request for Information on Climate-Related Financial Risk ([Link](#)), CCP12 emphasizes, that any work with respect to climate-related financial risks recognizes and builds upon the various practices that CCPs already employ to effectively mitigate and manage climate-related financial risk. This is illustrated, by examples of how CCP risk management frameworks already take into account both categories of climate-related financial risks – physical and transition risks. To underline the flexibility of CCPs to tailor their risk management practices to the unique risks inherent in their markets and the products they clear, CCP12 advocates for a principles-based regulatory framework for CCPs and does not believe that additional regulatory requirements for CCPs that are specific to climate-related financial risks should be adopted. Furthermore, CCP12 believes that CCPs are best suited to appropriately design their stress testing frameworks and size their financial resources to capture the unique risks inherent in the products they clear, as is evidenced by their successful navigation of various stress events, both recent and historical ones. Lastly, CCP12 continues to emphasize that any approach taken by the CFTC related to climate-related financial risk- disclosures should be flexible (i.e., outcomes-based) to permit each CFTC-regulated entity, including CCPs, to use such data points and other information in the manner most appropriate to their roles in the marketplace.

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

CCP12 responds to the SEC’s Proposed Rule on Clearing Agency Governance and Conflicts of Interest

In the response to the Securities and Exchange Commission’s Proposed Rule on Clearing Agency Governance and Conflicts of Interest ([Link](#)), CCP12 welcomes that the Commission intends to continuously improve the safety and transparency of the financial markets. At the same time, we believe that some of the Proposed Rule regarding the governance and conflicts of interest of clearing agencies may be too prescriptive, given the diversity among clearing agencies and the need for these organizations to tailor their structures and governance for the markets and products they clear. CCP12 observes that clearing agencies have performed exceptionally well historically, even during periods of market stress. As such, it is unclear to us what specific issues or problems the Proposal is trying to address. We also worry that complying with the Proposed Rule would likely be much more operationally burdensome and resource-intensive for clearing agencies than the document seems to envisage.

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



CCP12 responds to CFTC's Notice of Proposed Rulemaking on Governance Requirements for DCOs

In the response to CFTC's Notice of Proposed Rulemaking on Governance Requirements for DCOs ([Link](#)), CCP12 generally agrees with the NPR's proposed rule text with a few comments that are primarily technical in nature, such as that the CFTC should not propose further requirements beyond what is included in the proposed rule text. Several of the proposed additional governance requirements contemplated in the requests for comment are not suitable for all DCOs, given differences in size, ownership and management structures, market participants served, and mix of products cleared. Furthermore, CCP12 believes, that it is imperative to ensure that market participants' involvement in DCO governance is limited to risk-based input into the DCO's risk management decisions.

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

CCP12 responds to FSB Consultation on Crypto-asset Activities

In the response to the FSB Consultation on Crypto-asset Activities ([Link](#)), CCP12 welcomes the proposed framework and agrees that the principle of 'same activity, same risk, same regulation' should apply to crypto-assets and intermediaries where they perform an equivalent economic function to one performed by instruments and intermediaries in the traditional financial system. We fully support the approach of subjecting stablecoin arrangements and other crypto-asset activities to standards similar to those applicable to FMIs (such as PFMIs) when the services offered are of a comparable nature. CCP12 also emphasises the importance of transparency and proposes that providers of crypto-asset activities become subject to strict transparency rules and are required to publish public disclosures, in line with CCPs' practices of publicly sharing a significant amount of granular, qualitative and quantitative information.

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



Association papers on client participation in CCP auctions and CCP auction governance

In the report “Central counterparty default management auctions – Issues for consideration” (Link), the Committee on Payments and Market Infrastructures (CPMI) and the Board of the International Organization of Securities Commissions (IOSCO), described issues for further industry work to consider the design and conduct of default management auctions. These issues were structured into three categories of work where the Policy Standing Group of CPMI-IOSCO sought industry action.

After the publication of the joint paper, developed by CCP12, EACH, FIA and ISDA (the Associations) on category 1 issues, which included several terminology and operational issues, the mentioned Associations together with the Client Associations, FIA PTG and MFA, developed 3 papers on category 2 issues:

- [Joint association paper on Client participation](#)
- [CCP12 / EACH paper on CCP Governance and Default Management Groups](#)
- [FIA / ISDA paper on Governance of CCP Default Management Processes and the Role of Default Management Groups](#)

The associations continue to work on the third category, which includes potential nascent and emerging practices (synchronizing default management processes, identification of potential hedges between CCPs).



PUBLIC QUANTITATIVE DISCLOSURES

CCP12 publishes PQD Newsflash Q3 2022 and Quarterly Trends Report Q3 2022

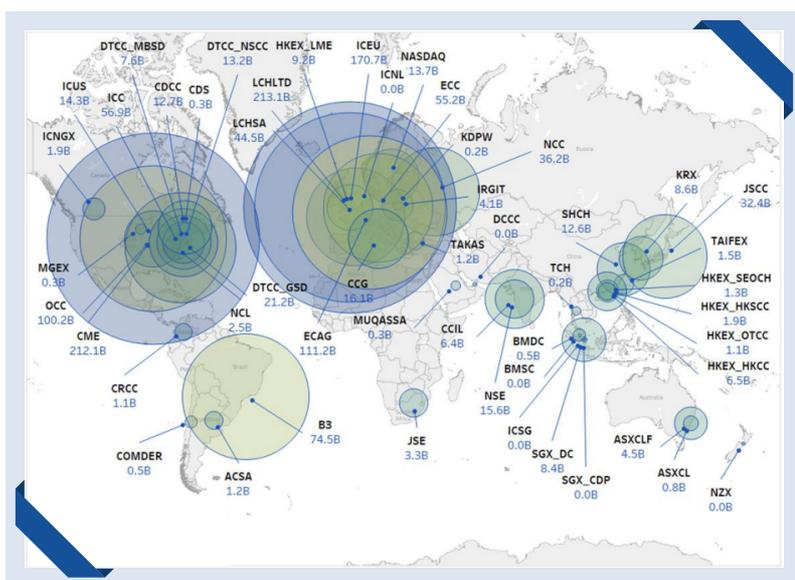
In December 2022, CCP12 published its eighteen PQD Newsflash, which includes the PQD data for Q3/2022. The CCP12 PQD Newsflash provides an overview of the risk management provided by CCPs across the globe and complements public statistics (i.e., BIS derivatives statistics).

Furthermore, the new CCP12 PQD Quarterly Trends report was published again, which serves as a new and more informative report for the ongoing ambitions of the association to provide clear and coherent quarterly PQD statistics directly from the Central Counterparties (“CCPs”) data.

In the last collation 52 CCPs included: 16 CCPs from the Americas, 20 CCPs from APAC, and 16 CCPs from EMEA. For Q3 2022 the CCPs included in the collation required over USD 1,302 billion of initial margin. 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](#).

For the in-depth Analysis CCP12 publishes Quarterly Trends Reports. In the Q1 2022 edition, CCP12 Quarterly Trends Report provides a detailed insight into the global CCP PQD landscape through the PQD data over past year to date.

The report aims to provide market participants and the public with a view of the distribution of collateral across Americas, APAC and EMEA. The report also provides a summary of trends drawn from the data through a variety of selected disclosures within the PQDs.



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

[The latest Quarterly Trends Report can be read here.](#)

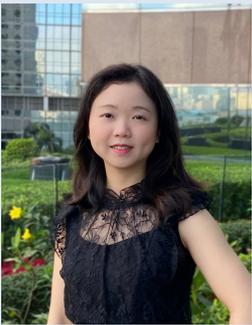
CCP12 Office Updates

Fundamental Questions on CCPs: A review of the literature 2022 update by Ron Berndsen



This document provides a second, annual, update of the CCP literature survey published in Berndsen (2021). It has added 13 peer-reviewed, academic journal articles which brings the total volume of CCP articles to 211 in comparison to the 2021 update. The added articles have been published in the year 2022, or may have been overlooked in Ron's earlier work, or have been notified by their authors to Ron. The present document provides the 2022 update on CCP journal dispersion, the citation graph, and the top twenty of most influential articles by number of citations. New is the emerging, positive outcome of the cluster analysis where in previous publications only negative results could be reported. This document and previous updates can be found and downloaded from Ron Berndsen's [website](#).

CCP12 office welcomes a new Risk Policy Advisor



Sandy Wong

Sandy Wong started her new position as Risk Policy Advisor in CCP12 in January 2023. Before joining CCP12, Sandy worked at the Hong Kong Exchanges and Clearing Limited for more than 5 years where she held multiple positions within the company, such as Risk Management, Change Management, and Transformation. Sandy will work on the risk-related topics at CCP12 and join forces with the team for continuous collaboration in the CCP industry.

CCP12 moved to the new office in Amsterdam

Since January 2023, CCP12 Amsterdam has a new home at Rhijnspoorplein Street at Sarphati Plaza in the city center of Amsterdam. We already had our first guest Ron Berndsen in January! We welcome all the guests to visit us in the Netherlands!

CCP12 & MarketsWiki

In January 2023, CCP12 became a "Friend Level Sponsor" of MarketsWiki.

[To read more about MarketsWiki](#)



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CCP12 is the global association for CCPs, representing 41 members who operate more than 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