

JANUARY 2020

# CCP12 2019 SECOND HALF YEAR NEWSLETTER



CEO NOTE 1  
RECENT NEWS 2  
PUBLICATIONS 3-7

# CEO NOTE

Dear Reader,



MARCUS ZICKWOLFF  
CCP12 CEO

Welcome to the 2019 second half year newsletter of the Global Association of Central Counterparties also known as "CCP12".

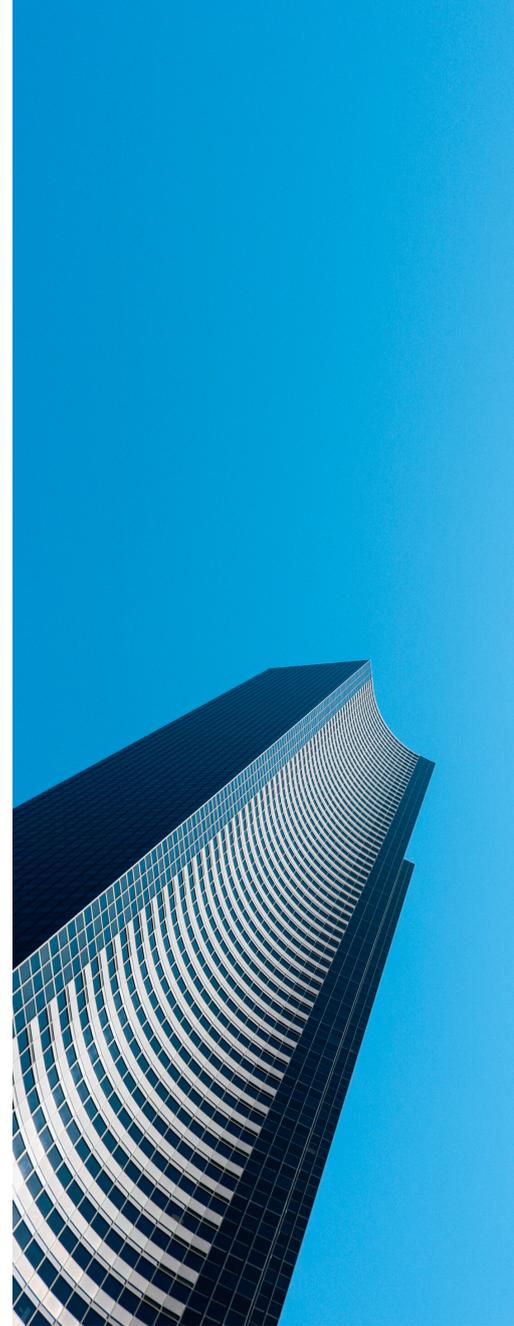
2019 was a very successful and productive year for CCP12. We organized seven events, to which not only CCP12 members but also industry participants or regulators were invited. CCP12 was also well represented in several international conferences or roundtables and we noticed with great pleasure, that at several occasions at these conferences CCP12 was positively mentioned or even introduced as a role model. In total 19 publications were made, which ranged from responses to consultations over white papers or position papers to analyses of financial indicators.

And what are our ideas, projects and plans for 2020? Stay tuned on [www.ccp12.org](http://www.ccp12.org) (you can subscribe here). And 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](mailto:office@ccp12global.com).

This, just leaves me - on behalf of the whole CCP12 team in Shanghai - with extending our warmest wishes to you for the new year 2020. For the Chinese Year of the Rat, which will start on 25th of January 2020, we wish you happiness, luck and success.

Best regards,

*Marcus*



## Recent News

### **SPECIAL GENERAL MEETING 2019 SINGAPORE**

On 3rd of December 2019, the CCP12 SGM was held in Singapore in the presence of 24 Primary Members and 2 Observer Members. SGX kindly hosted the assembly.

The Membership proceeded with the following:

- Meeting minutes from the 2019 AGM in London were approved
- Updated work plan and a progress report was presented
- Financial optimization plan was discussed
- PQD Newsflash and Newsletters were discussed
- Updates from all working committees were given

### **INTERNAL FIRE DRILL WORKSHOP IN CHICAGO NOVEMBER 2019 AND IN SINGAPORE DECEMBER 2019**

The CCP12 fire drill workshops took place in Chicago – in conjunction with the FIA Expo - on 1st of November 2019 and in Singapore - in conjunction with the CCP12 Special General Meeting and FIA Asia - on 6th of December 2019.

During the workshops attendees

- Discussed regulatory frameworks with an emphasis on the relevant aspects for the Default Management Process
- Discussed general overview on the Default Management Process with insights on key elements being applied by leading CCPs
- Discussed DMP fire drill: importance, set up, stakeholders

If you have any questions, kindly inform [office@ccp12global.com](mailto:office@ccp12global.com).

# Publications

## **CCP12 responds to ESMA consultations**

On 31st of July 2019, CCP12 published its responses to the ESMA consultation papers on Technical Advice on Comparable Compliance under article 25a of EMIR, on ESMA fees for third country CCPs under EMIR 2.2 and on draft technical advice on criteria for tiering under Article 25(2a) of EMIR 2.2.

In regards to the ESMA consultation paper on Technical Advice on Comparable Compliance under article 25a of EMIR, CCP12 believes that embracing an approach of mutual regulatory deference is of the utmost importance in adopting an approach of comparable compliance.

For the ESMA consultation paper on ESMA fees for third country CCPs under EMIR 2.2, CCP12 would like to highlight, that CCP12 does not agree with concept of putting the costs on TC-CCPs to expand the EU's regulatory oversight.

In regards to the ESMA consultation paper on draft technical advice on criteria for tiering under Article 25(2a) of EMIR 2.2, CCP12 would like to highlight that CCP12 is supportive of the outcomes-based approach that ESMA has intended to follow, however CCP12 does not believe this was achieved under the proposals in the consultation paper.

Please see the full responses [here](#).



## CCP BEST PRACTICES THIRD-PARTY RISK MANAGEMENT

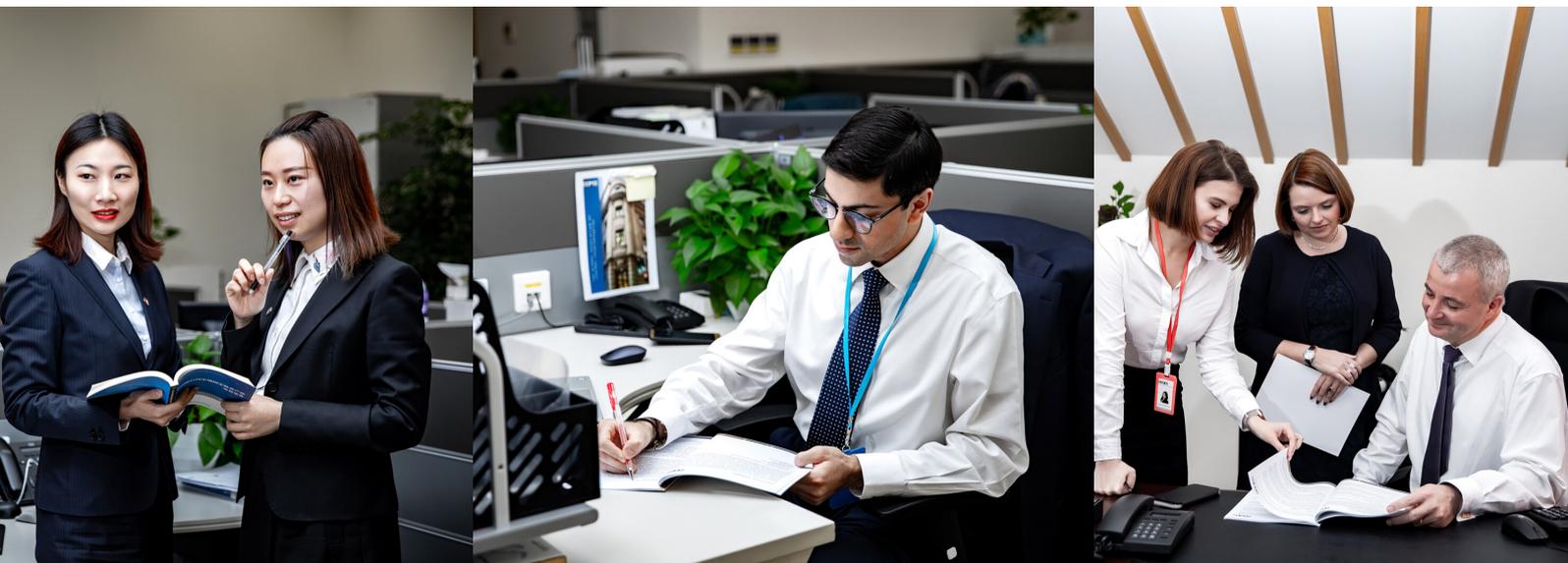
On 25th of July 2019, CCP12 published the CCP Best Practices Third-Party Risk Management Position Paper. Since the G20 mandate, the critically important role of central counterparties (CCPs) in the global financial marketplace has been subject to heightened focus. Like other parts of the financial system, CCPs enter into relationships with a wide range of domestic and foreign third-parties to outsource part or entire functions, interact directly with customers, address deficiencies in operations/compliance, leverage emerging technologies etc. In the interest of providing best in class services, CCP's delivery model are moving increasingly from traditional in-house delivery methods to more complex supply chain models, requiring specialized skills and resources. This increases the need for better oversight of the third-parties utilized.

CCP12 recognizes that if such third-parties do not have proper risk oversight and controls in place, a CCP, and the wider financial system, could be exposed to increased fiscal, operational, regulatory or reputational risks.

In that light, CCP12 believes it is best practice that CCPs adopt oversight and risk management processes that are commensurate with the level of risk and complexity introduced by its third-party relationships and the overall CCP organizational structure.

CCP12 supports the effective use of a third-party risk management framework that provides for ongoing operationalized risk management of critical third-party service providers, follows a continuous lifecycle, reduces risk exposure and improves overall transparency around third-party relationships.

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



**“CCP12 ELABORATES ON BEST PRACTICES FOR EFFECTIVE THIRD-PARTY RISK MANAGEMENT, WHICH WILL REDUCE RISKS ASSOCIATED WITH THE OPERATIONAL AND COMMERCIAL BENEFITS THAT THIRD-PARTY RELATIONSHIPS CAN BRING TO A CCP,” SAID MR. LEE BETSILL, CHIEF RISK OFFICER AT CME GROUP AND MEMBER OF THE EXECUTIVE COMMITTEE OF CCP12.**

## PQD Newsflash Q2 2019

On 20th of October 2019, CCP12 published its fifth PQD Newsflash, which includes the PQD data for Q2/2019. 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 39 CCPs (representing 24 CCP12 members) were included: 11 CCPs from the Americas, 15 CCPs from APAC, and 13 CCPs from EMEA. For Q2 2019 the CCPs included in the collation required over USD 746 billion of initial margin and had USD 92 billion in additional default fund resources.

The data is compiled directly from the source – the CCPs themselves – according to a standardized template carrying information stipulated in global regulatory guidance. Further details for individual CCPs can be found in links provided on the CCP12 website.



## PQD Newsletter Q2 2019

On 24th of October 2019 CCP12 published also the PQD Newsletter for Q2/2019, which is an elaborated version of the PQD Newsflash. The PQD Newsletter examines a number of CCP risk management indicators in greater detail, 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 Q2 2019, OTC Clearing Hong Kong Limited (OTC Clear), Hong Kong Securities Clearing Limited (HKSCC) and Takasbank have been added to the PQD data pool; the PQDs for both the previous quarter (Q1 2019) and the relevant quarter (Q2 2019) were added to minimize any resulting jumps in both the quarterly and respective regional splits.

The analysis is based on PQD reports published by central counterparties (CCPs) globally under the Principles for Financial Market Infrastructures (PFMI) requirements set by Committee on Payments and Market Infrastructures and the International Organization of Securities Commissions (CPMI-IOSCO).

In 2015, the CPMI-IOSCO published PQD standards for CCPs, as an important component of the set of PFMI public disclosure requirements, while also encouraging CCPs to use a common template. CCP12 supports CPMI-IOSCO's efforts to improve the level of standardization and transparency of the CCP industry; our members collaboratively worked to create a common PQD template in 2015, and officially released the CCP12 PQD Template in 2017.

The latest Newsletter can be found [here](#)

## **CCP12 RESPONDS TO CPMI-IOSCO DISCUSSION PAPER ON CENTRAL COUNTERPARTY DEFAULT MANAGEMENT AUCTIONS**

On 8th of August 2019, CCP12 published its response to the discussion paper entitled “Central Counterparty Default Management Auctions” issued by the Committee on Payments and Market Infrastructures and the International Organization of Securities Commissions (“CPMI-IOSCO”).

CCP12 welcomes the opportunity to respond to this discussion paper, as we believe that the default management process, which is not limited to auctions, is one of the most important processes within a CCPs business.

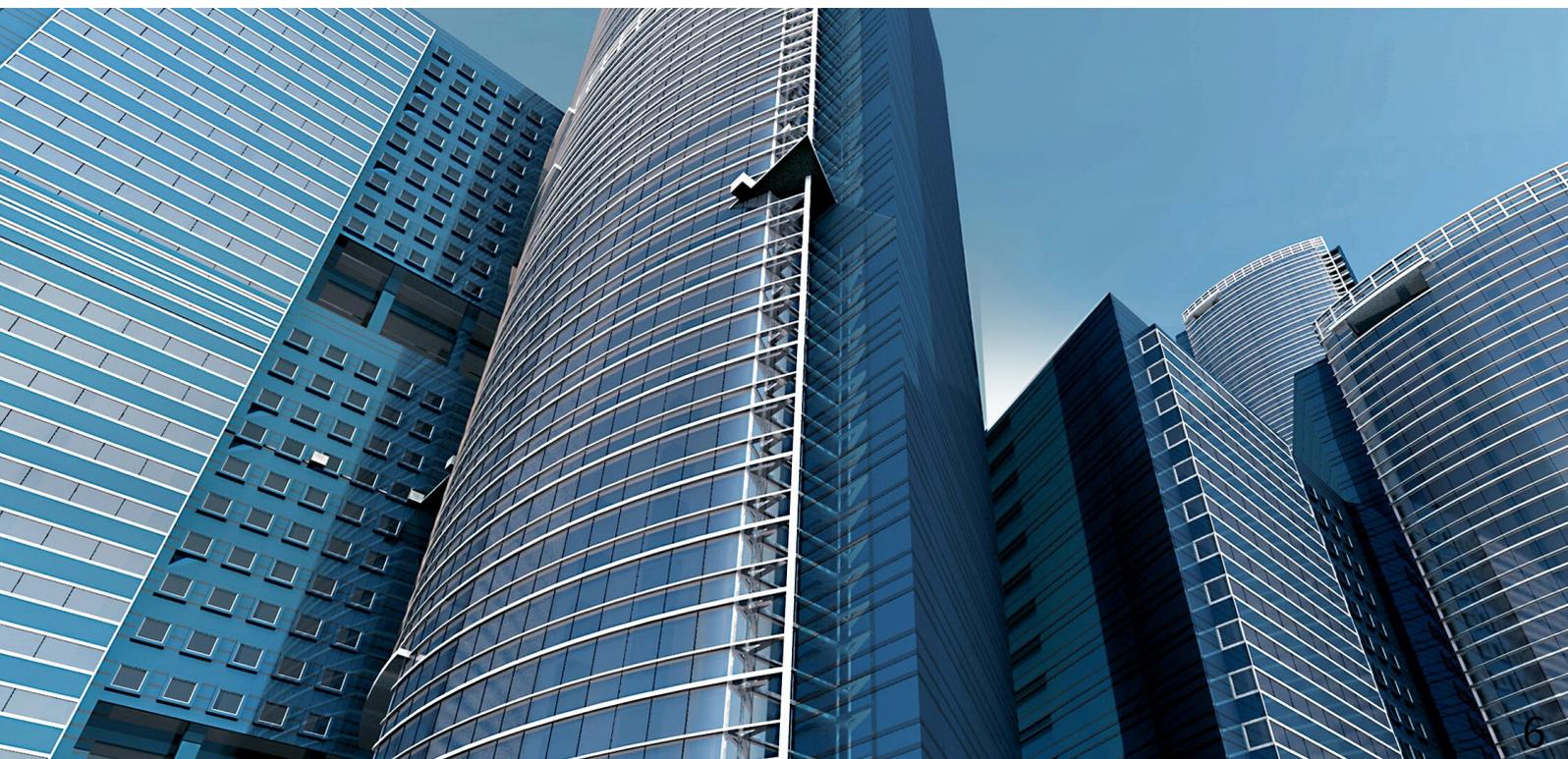
We have therefore also highlighted this topic in our recently published paper “CCP Best Practices – a CCP12 Position Paper”.

CCP12 responds to the different aspects consulted by CPMI-IOSCO: roles and responsibilities, considerations for a successful auction, operational considerations, client participation and default of a common participant across multiple CCPs.

To read the full CCP12 response [click here](#).



**“CCP12 FULLY SUPPORTS TRANSPARENCY ABOUT THE DEFAULT MANAGEMENT PROCESS, WHICH WILL ENABLE AUCTION PARTICIPANTS TO BE PREPARED TO PARTICIPATE DURING A DEFAULT AND TO BRING THE CCP BACK TO A MATCHED BOOK.” SAID MR. MARCUS ZICKWOLFF, CEO OF CCP12.**



## CCP12 RESPONDS TO CFTC CONSULTATIONS

On 11th of December 2019, CCP12 responded to the CFTC Consultations on Exemption from Derivatives Clearing Organization Registration (RIN 3038-AE65) and Registration with Alternative Compliance for Non-U.S. Derivatives Clearing Organizations (RIN 3038-AE87)

CCP12 strongly supports the CFTC's supplemental notice of proposed rulemaking (SNPR) as an effort to recognize the importance of regulatory deference to allow local policy-makers to adopt appropriate legal and regulatory requirements for the markets they oversee, while increasing cross-border cooperation and avoiding market fragmentation. In our response, we highlight CFTC's approach towards permitting a gradual, risk-based review of individual Derivatives Clearing Organizations (DCOs) which wish to clear swaps for U.S. customers of future commission merchants by permitting non-U.S. DCOs to comply with the DCO Core Principles through compliance with their home country regulatory regime.

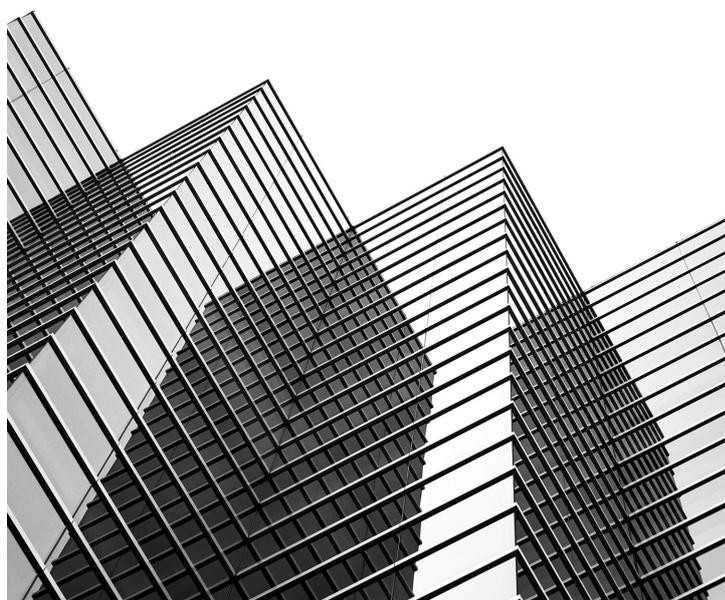
CCP12 would like to emphasize two key points:

- The SNPR expands the ability of U.S. swaps customers to access non-U.S. swaps markets.
- The SNPR provides appropriate protection to customers and the wider financial system without imposing duplicative requirements on exempt DCOs and their clearing members.

More generally, CCP12 supports the approaches that facilitate cross-border cooperation based on the CPMI-IOSCO's PFMI, which fosters trust among supervisors to uphold the Group of Twenty commitments to regulatory deference.

To read the full CCP12 response to Exemption from Derivatives Clearing Organization Registration (RIN 3038-AE65) [click here](#).

To read the full CCP12 response to Registration with Alternative Compliance for Non-U.S. Derivatives Clearing Organizations (RIN 3038-AE87) [click here](#).



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