

SEPTEMBER 2020

CCP12 FIRST 2020 NEWSLETTER



CEO NOTE 1
RECENT NEWS 2
PUBLICATIONS 3-7
CCP12 OFFICE NOTE 8

CEO NOTE



MARCUS ZICKWOLFF
CCP12 CEO

Dear Reader,

Welcome to the First 2020 Newsletter of the Global Association of Central Counterparties, also known as "CCP12".

2020 is a challenging year for all of us. The CCP12 team hopes that you and your family and colleagues are safe and in good health. The global pandemic affected all kinds of industries as well as the CCP industry. But once again, CCPs showed their resilience and that they are a safe haven for market participants during extreme periods of stress.

CCP12 hosted the first Virtual Annual General Meeting, at which CCP12 members elected a new Executive Committee. You can find more about this on page 3. We published several papers such as Progress and Initiatives in OTC Derivatives, CCPs again demonstrate resilience in times of crisis, Primer on Credit Stress Testing. The papers received much attention and you can read more about them on pages 4-7. Moreover, CCP12 published an extended PQD Newsflash for Q1 2020 and a detailed PQD Newsletter for Q1 2020. In these you can find more information about key analytics and insights observed within a number of CPMI-IOSCO Quantitative Disclosures sourced directly from our member's PQDs. Details about this can be found on page 5.

I would like to inform you, that I will retire as CEO of CCP12. Today, I can announce that the CEO transaction has officially started. On the 1st of October, Mr. Teo Floor will start his position as a new CCP12 CEO ([read the Press Release](#)).

There will be time to say goodbye, but let me first say thank you. Thank you for the honor of serving this business for the past three years.

We have achieved a lot of goals in these years and succeeded in a lot of ways. I'm proud to say CCP12 has now a real home, a home in Shanghai. Thank you to everyone, who helped us to establish the office.

In the last years, we accomplished many projects, published various papers, and participated in dozens of conferences. And I truly believe that we made the finance industry a more safer and resilient place. All the work could not have been done without the support of our dedicated CCP12 members, the wonderful team in the CCP12 office, and the great people in Shanghai. A big thank you to every one of you.

I'm leaving CCP12 in good hands and I believe the Association will achieve even more goals in the near future. I truly love the CCP world, and it has been a tremendous experience working for CCP12.

We look forward to an interesting second half year of 2020. Stay tuned on 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.

Best regards,

Marcus

ANNUAL GENERAL MEETING 2020 VIDEOCONFERENCE

CCP12 - The Global Association of Central Counterparties – held its Annual General Meeting (AGM) via videoconference on 17th June, 2020.

CCP12 members elected a new Executive Committee (ExCo) to lead the association in the next 2 years. Mr. Kevin McClear, Corporate Risk Officer at Intercontinental Exchange, Inc. was elected as new Chair of CCP12. Ms. Agnes Koh, Chief Risk Officer at Singapore Exchange Limited and Teo Floor*, Special Adviser to the CEO at Eurex Clearing were elected as Vice-Chairs. Mr. George Kormas, Chief Risk Officer at TMX Group will continue to serve as the Treasurer. In addition, the following members were elected as ordinary ExCo members:

- Mr. Lee Betsill, Chief Risk Officer and Managing Director, CME Group, Inc.;
- Mr. Kausick Saha, Chief Risk Officer, The Clearing Corporation of India Ltd.;
- Mr. Tim Cuddihy, Managing Director, Depository Trust & Clearing Corporation;
- Mr. Rajiv Pabari, Head of Market Infrastructure Risk, Hong Kong Exchanges & Clearing;
- Mr. Daisuke Miyauchi, Chief Risk Officer & Director Risk Management Department, Japan Securities Clearing Corporation;
- Mr. Slawomir Panasiuk, Vice President of the Management Board, KDPW_CCP S.A.;
- Mr. Nicholas Lincoln, Group Head of Market Risk, London Stock Exchange Group;
- Mrs. Erica Brown, Head of International Affairs, Nasdaq Clearing;
- Mr. Vikram Kothari, Managing Director, NSE Clearing Ltd.;
- Mr. Dale Michaels, Executive Vice President Financial Risk Management, The Options Clearing Corporation;
- Mr. Hongbo Wang, Deputy General Manager, Shanghai Clearing House.

The Membership proceeded with the following:

- Meeting minutes from the 2019 SGM in Singapore were approved
- Updated work plan and a progress report was presented
- Financial optimization plan was discussed
- Audit report was approved
- Budget 2021 was approved

***Update to Exco composition:** Following the appointment of Teo Floor as next CEO of CCP12, Dmitrij Senko, CRO Eurex Clearing, took the office of EMEA vice-chair as of 19th of August, 2020.

CCP12 new Office address

On the 27th of May 2020, CCP12 Office moved to the new office in the heart of Xintiandi, Shanghai.

You can find us at 19F No. 233 Taicang Rd. Huangpu District, Shanghai, China.

In case of any questions, please contact office@ccp12global.com





Publications

CCP12 published Progress and Initiatives in OTC Derivatives

On 11th of February 2020, CCP12 published 'Progress and Initiatives in OTC Derivatives – A CCP12 Report', a second instalment in a series of reports exploring the current and future ecosystem of OTC derivatives.

Following the G20 Leaders' pledge in 2009 to change the process by which non-standardised Over-The-Counter ("OTC") derivatives are traded, CCP12 explores this year three exclusive case studies across Collateral, Foreign Exchange ("FX"), and Interest Rate Derivatives in order to research the market dynamics and build critical insights across the OTC derivatives markets.

The report examines in detail how market participants across the spectrum of the Central Counterparty ("CCP") industry are managing in this constantly evolving market. We explore key drivers of change currently taking place, the evolution in the bilateral and cleared markets and how Uncleared Margin Rules ("UMR") are affecting the industry.

The Collateral case study serves as the backbone of the report and provides a fascinating regional perspective into the collateral management techniques from two different CCPs. Furthermore, the report examines how the UMRs have continued to influence product selections, and how the rate of clearing has been changing across the markets. Positive behaviours and innovation in the FX space have also been illustrated within the FX case study. Each case study is a result of data-driven analysis and delivers a unique insight into the products types, the influence of UMR and how the uptake of clearing has been increasing. The report includes a comprehensive analysis of the OTC derivatives market in terms of its current state, the trends CCP12 has observed from the data, the impacts of regulation, and it serves to highlight the inherent efficiencies and security of the cleared ecosystem.

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

CCPs again demonstrate resilience in times of crisis – a CCP12 Paper.

On 1st of July 2020, CCP12 published CCPs again demonstrate resilience in times of crisis – a CCP12 Paper. Financial markets react to all kinds of events, which may include those that are politically, economically or environmentally driven. In times of crises, the impact is amplified and often felt across large parts of the global financial markets and the global economy. This was observed during the 2020 COVID-19 Crisis (“CC”). Due to the uncertainty in the markets, volatility spiked to extraordinary levels – stocks, interest rates and oil prices fell and credit spreads widened. During this unprecedented time of market volatility, financial market participants needed the ability to effectively manage their risks. The centrally cleared markets have proven, once again, to be a safe haven for market participants during this period of extreme stress.

In particular, Central Counterparties (“CCPs”) provided market participants with an efficient and effective forum to manage their risks, whilst providing transparency and operational reliability.

This was despite the significant challenges driven by the operational responses to coronavirus, as well as the extraordinary levels of volatility. CCPs observed significant increases in payments due to the observed market moves, but were able to process these payments in a timely manner. Due to the extreme levels of volatility observed over the course of the CC most CCPs were required to issue additional margin calls. CCPs always aim for a balance between achieving appropriate margin coverage and mitigating procyclical risk. In striking this balance, CCPs must consider having appropriate risk-based margin coverage, whilst also avoiding unnecessary procyclical changes to margin requirements relative to the observed levels of market volatility. Ultimately, CCPs proved once again, as they have in past crises, that they provide safety and stability to the markets that they serve, particularly during periods of stress.

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



“THE CCP12 PAPER “CCPS AGAIN DEMONSTRATE RESILIENCE IN TIMES OF CRISIS” CONVEYS HOW EFFECTIVELY CCPS HAVE PERFORMED DURING THE RECENT PERIOD OF HISTORICAL VOLATILITY ACROSS MULTIPLE ASSET CLASSES; AND WHILE OPERATING IN A BCP MODE.” SAID MR. KEVIN MCCLEAR, PRESIDENT OF ICE CLEAR U.S. AND CHAIRMAN OF CCP12.

PQD Newsflash Q1 2020

On 7th of July 2020, CCP12 published its ninth PQD Newsflash, which includes the PQD data for Q1/2020. 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 42 CCPs (representing 27 CCP12 members) were included: 13 CCPs from the Americas, 16 CCPs from APAC, and 13 CCPs from EMEA. For Q1 2020 the CCPs included in the collation required over USD 1089 billion of initial margin and had USD 131 billion in additional default fund resources, 411 billion Global CCP Overcollateralization.

In light of the recent COVID-19 crisis, the financial markets experienced an unprecedented period of market volatility. Central Counterparties (CCPs) remained resilient during this crisis as positions were routinely cleared between the buyers and sellers in the global marketplace. Global Q1 2020 PQD data indicates, that CCPs have yet again managed to successfully endure a highly turbulent period with minimal impact to their financial resources, their members and the wider market participants. This special extended edition of the CCP12 PQD Newsflash seeks to provide key analytics and insights observed within a number of CPMI-IOSCO Quantitative Disclosures sourced directly from our member's PQDs.

[You can find PQD Newsflash on our website](#)



PQD Newsletter Q1 2020

On 21st of July 2020, CCP12 published also the PQD Newsletter for Q1/2020. In the Extended Edition of the CCP12 PQD Newsletter for the quarter Q1 2020, we have aggregated PQD data across Q1 2019 – Q1 2020 PQD in order to provide a comprehensive overview and analysis of the data during the COVID-19 Crisis (CC). We seek to highlight key PQD statistics and insights observed within a number of

CPMI-IOSCO Quantitative Disclosures sourced directly from our members' PQDs. Data has been grouped by both the region (Americas, EMEA and APAC) in which the CCP is located, as well as by the underlying asset classes cleared by the CCP.

A number of CCP risk management indicators are examined, including Initial Margin (IM) Required/Held, Default Fund (DF) Required/Held, Collateral Make-Up of the IM and DF contributions, Average Daily Variation Margin, Margin Overcollateralization, an overview of the CDS and IRS Margin requirements, and lastly, Availability, Failures and Recovery Time Objectives. Only PostHaircut values have been used, unless otherwise stated. All indicators have been normalized to US dollar (USD) equivalent for each quarter at the time the PQD was published to ensure accurate and reliable comparisons quarter-on-quarter (QoQ).

Updates to the PQD Newsletter:

- 1-year look back period of PQD data, providing analysis between Q1 2019 – Q1 2020;
- Introduction of disclosure (6.1) IM (Required) breakdown, specifically for CDS and IRS at selected CCPs;
- Introduction of section: Availability, Failures and Recovery Time Objectives.

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

CCP12 Responds To FSB Consultative Document

On 30th of July 2020, CCP12 published its response responds to the consultative document “Guidance on financial resources to support CCP resolution and treatment of CCP equity in resolution” (Guidance) published by the Financial Stability Board (FSB).

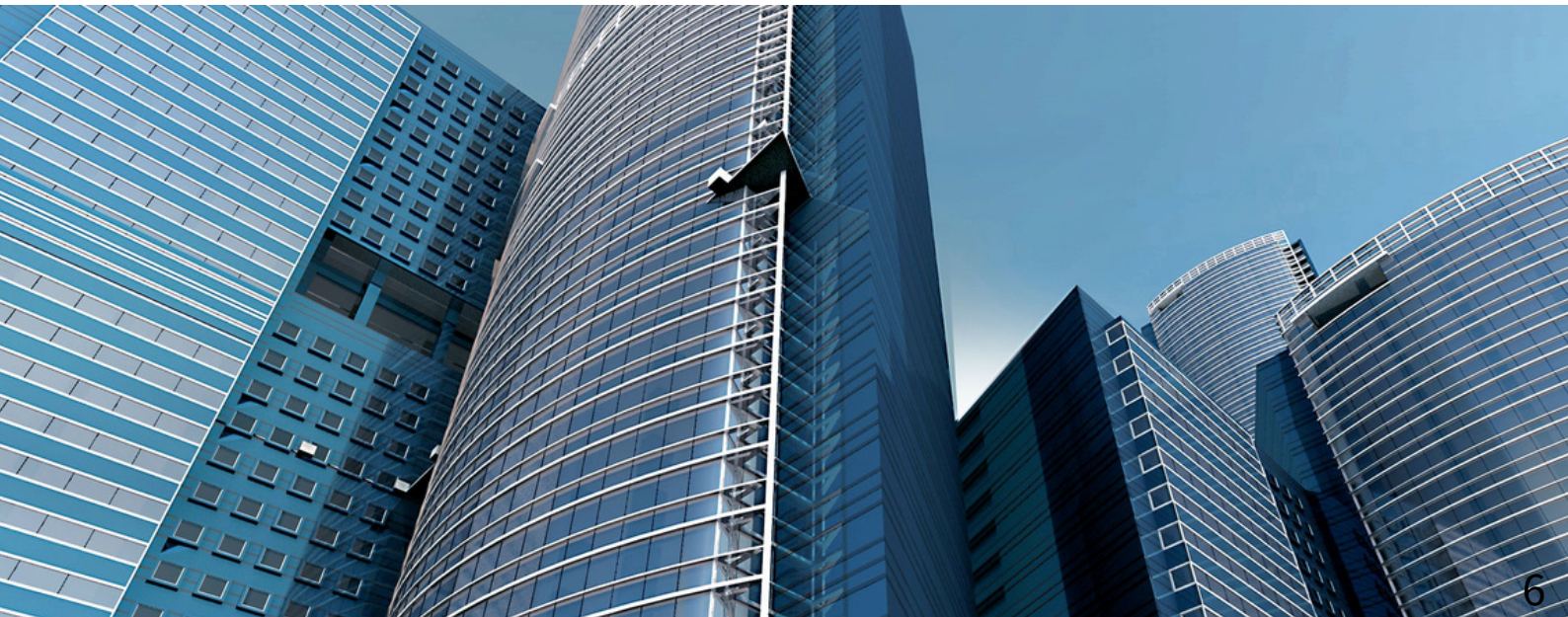
CCP12 highly appreciates the opportunity to comment on the Guidance and, in our response, we would like to emphasize the following key points for the FSB’s consideration:

- CCP12 is supportive of a flexible approach that allows each jurisdiction’s resolution authority based on its own legal framework and market singularities to undertake its resolution planning, including evaluating a CCP’s resources for adequacy in resolution.

CCP12 does not support guidance that contemplates pre-emptively exposing further equity to losses in the name of resolution planning, beyond what is stipulated ex-ante in a CCP’s rulebook and relevant local regulation and legislation.

- CCP12 urges the FSB to avoid undermining the incentives structure of the central clearing model that supports robust CCP risk management practices, default management processes and recovery measures that are already in place.
- CCP12 is concerned that the granular level at which the Guidance has defined scenarios for assessment of a CCP’s equity could conflict with existing standards and the local implementation of such standards.

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



Primer on Credit Stress Testing – A CCP12 White Paper

On 3rd of August 2020, CCP12 published “Primer on Credit Stress Testing – A CCP12 White Paper”, a second installment in a series of white papers providing informative and educational background information on Central Counterparties.

Central counterparties (“CCPs”) have included in their risk management practices regular credit Stress Tests to assess the sufficiency of CCPs’ resources to absorb losses under extreme but plausible market conditions. If the results of the Stress Tests show, that the losses caused by the default of a specific clearing member were to exceed the available collateral, additional collateral may be charged. On one hand this risk management practice allows the CCP to be better prepared in case of an actual clearing member default and on the other hand acts as an early warning to the clearing member community. It helps to ensure the safety and stability of the financial market.

Stress Tests have to be performed on a daily basis and the Stress Test scenarios are reviewed regularly to also take into account the current market conditions. For instance, in the recent COVID-19 pandemic, CCPs amended their stress testing processes and included scenarios which take into account the Corona Crisis and the extremely volatile markets during this time.

This paper aims to provide background and context on credit Stress Testing. It introduces the role and objective of credit Stress Testing in the context of a CCP’s overall risk management approach, gives an conceptual overview, sets out the regulatory expectations on a CCP’s credit Stress Testing framework, discusses the different approaches to Stress Testing and finally, describes the independent review and validation of stress testing.

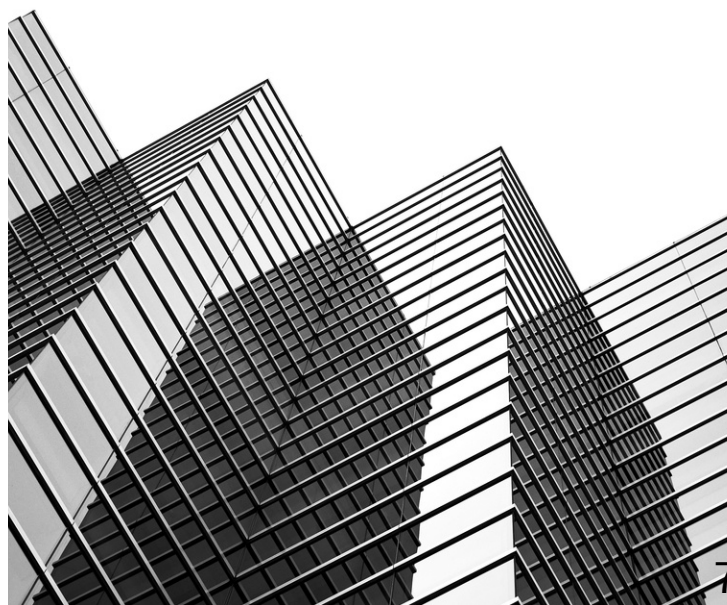
[To read the full paper, please click here](#)



“STRESS TESTING FOR CCPS IS CRITICAL. THE FRAMEWORK EMPLOYED BY CCPS NOT ONLY MEETS PRUDENTIAL REGULATORY REQUIREMENTS FROM CPMI-IOSCO, BUT ALSO HELPS ENSURE TAIL RISKS ARE APPROPRIATELY MEASURED AND WITHIN THE APPLICABLE RISK APPETITE.” SAID MR. KETAN PATEL, FORMER DEPUTY GROUP RISK OFFICER AT HONG KONG EXCHANGES AND CLEARING AND FORMER CO-CHAIR OF THE RISK WORKING COMMITTEE OF CCP12



“THE CCP12 WHITE PAPER ON CREDIT STRESS TESTING PROVIDES VALUABLE BACKGROUND AND CONTEXT INTO THE STRESS TESTING REGIME EMPLOYED BY CCPS TO ENSURE RESILIENCE AS PART OF A COMPREHENSIVE RISK MANAGEMENT FRAMEWORK.” SAID MR. KAUSICK SAHA, CHIEF RISK OFFICER THE CLEARING CORPORATION OF INDIA LTD. AND CO-CHAIR OF THE RISK WORKING COMMITTEE OF CCP12.



CCP12 Office Note

Welcome Teo Floor

On 24th of September 2020, CCP12 announced that its Executive Committee appointed Teo Floor as the new Chief Executive Officer (CEO). He will take over from Marcus Zickwolff, the first CCP12 CEO.

The CCP12 Office is very excited to welcome Teo in his new role in the office in Shanghai. Teo is well known to CCP12 as he worked before since 2008 for Eurex Clearing AG, a CCP of Deutsche Boerse Group and a member of CCP12. In his latest position as Special Advisor to the CEO of Eurex Clearing AG, Teo also served as a Vice-Chair for the EMEA region in the CCP12 Executive Committee. As the representative of one of our members but also in his capacity as Vice-Chair, Teo in the past always fully supported the CCP12 projects as well as the CCP12 team. We are convinced, that now as our CEO, Teo will continue to refine the association's work, the collaboration with our members and the cohesion of the CCP12 team.

The CCP12 Office is looking forward to work together with Teo to strengthen the association's position as the global representative and voice of CCPs. Again, welcome Teo and we are thrilled to see you in Shanghai soon.

The CCP12 Office



Mr. Teo Floor

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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 AsiaPacific 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.

