

PRESS RELEASE

CCP12 PUBLISHES  
PRIMER ON  
CREDIT STRESS TESTING  
-  
A CCP12 WHITE PAPER

✉ [office@ccp12global.com](mailto:office@ccp12global.com)

📍 19F, No. 233 Taicang Rd.  
Huangpu District,  
Shanghai, China

**CCP12**

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## PRESS RELEASE

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Today CCP12 - The Global Association of Central Counterparties - publishes “Primer on Credit Stress Testing – A CCP12 White Paper”, a second instalment 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.

*“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 at the Clearing Corporation of India Ltd. and Co-Chair of the Risk Working Committee of CCP12.

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.

*“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<sup>1</sup>.

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<sup>1</sup> Ketan Patel left Hong Kong Exchanges and Clearing shortly before the publication.

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

## ABOUT CCP12

CCP12 is a global association of 37 members who operate more than 60 individual CCPs globally across Europe, the Middle East, and Africa (EMEA), the Americas, and the Asia-Pacific (APAC) regions.

CCP12's mission is 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, while also actively engaging with regulatory agencies and industry constituents through consultation responses, forum discussions and position papers.

For more information please contact the office by e-mail at [office@ccp12global.com](mailto:office@ccp12global.com) or through our website by visiting [www.ccp12.org](http://www.ccp12.org).

## CCP12 MEMBERS

