

Public Quantitative Disclosure

CCP12 Newsflash

Q1 2020 Data

PQDs During The COVID-19 Crisis

July 2020



The COVID-19 pandemic during the first half of 2020 has been the most seismic event to impact the global economy since the 2008 Global Financial Crisis.

The outbreak led to severe economic, health and social impacts worldwide, prompting governments to deliver critical responses through monetary policy and reduced regulatory burdens, subsequently leading to financial market participants activating their business continuity plans.

In light of the recent events, 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.

For this quarter, we will analyse data across the period Q1 2019 – Q1 2020, in order to provide a comprehensive view, and affects during the COVID-19 Crisis (CC).

We hope our readers find this an informative and insightful analysis.

The CCP12 Newsflash



- The CCP12 Public Quantitative Disclosure Newsflash provides an overview of the risk management provided by CCPs around the globe. It complements existing public statistics, such as the BIS derivatives statistics, by providing a summary of key indicators which provides market participants an overview of the CCP ecosystem.
- The data is aggregated 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 (<https://ccp12.org/pqd/>).
- This CCP12 Newsflash helps to inform participants, authorities, and the general public of key features, the scale and nature of financial market infrastructure risk management.
- This publication underlines the scope and scale of risk mitigation provided by central clearing:
 - CCPs exposure to credit risk is collateralized through high-quality and liquid collateral
 - CCPs risk-manage their clearing exposure by collecting *mark-to-market* losses through regular variation margin (or similar) payments

In this collation for Q1 2020:

42 CCPs (representing 27 CCP12 members) are included:

- Americas 13
- APAC 16
- EMEA 13

Initial Margin (Required):

USD 1089 Billion

Default Fund Resources (Required):

USD 131 Billion

Global CCP Overcollateralization[†] :

USD 411 Billion

For any questions, please get in touch: question.pqd@ccp12global.com

[†]Calculated as (Total IM and DF Held) minus (Total IM and DF Required) (PostHaircut)

Highlights of Public Quantitative Disclosures

Q1 2020



Total Global Margin* (USD B)

Required

Total Global Initial Margin (IM) Required (6.1.1)	1,089
Total Global Default Fund (DF) Required (4.1.4)	131
Total Global CCP Collateral Required (6.1.1 + 4.1.4)	1,220

Held

Total Global IM Held (6.2.15)	1,464
Total Global DF Held (4.3.15)	167
Total Global CCP Collateral Held (6.2.15 + 4.3.15)	1,631

Variation Margin (VM)

Total Global Average Daily VM Paid to the CCP by participants each business day (6.6.1)	41
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Total Global CCP Collateral (Held) in form of*:

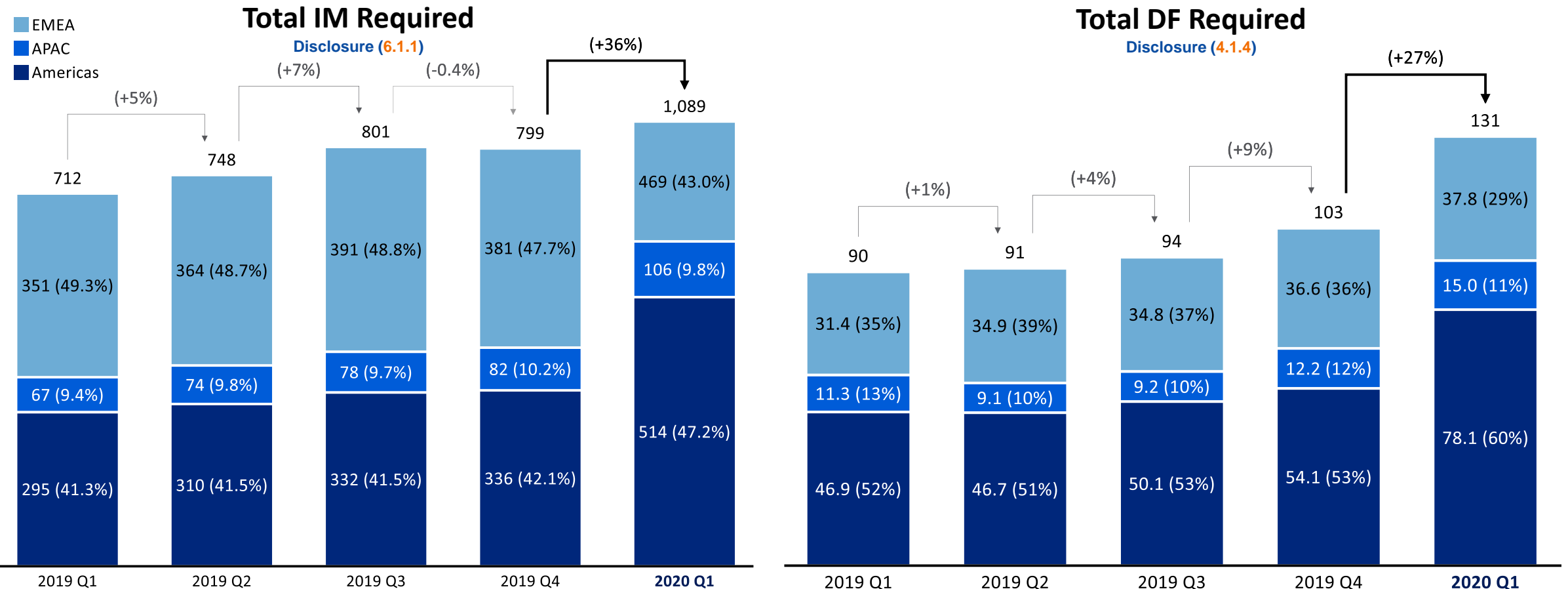
	Disclosure	Initial Margin	Disclosure	Default Fund
Cash				
<i>At Central Bank</i>	(6.2.1 + 6.2.2)	13.7%	(4.3.1 + 4.3.2)	41.6%
<i>Secured Cash (incl. Reverse Repos) at Commercial Banks</i>	6.2.3	10.1%	4.3.3	13.0%
<i>Unsecured at Commercial Banks</i>	6.2.4	9.5%	4.3.4	6.1%
Non-Cash				
<i>Sovereign Gov Bonds - Domestic</i>	6.2.5	25.0%	4.3.5	31.9%
<i>Sovereign Gov Bonds – Foreign</i>	6.2.6	17.0%	4.3.6	3.1%
<i>Agency Bonds</i>	6.2.7	1.5%	4.3.7	3.0%
<i>State/Municipal Bonds</i>	6.2.8	0.5%	4.3.8	0.2%
<i>Corporate Bonds</i>	6.2.9	4.9%	4.3.9	0.5%
<i>Equities</i>	6.2.10	2.5%	4.3.10	0.2%
<i>Commodities – Gold</i>	6.2.11	0.1%	4.3.11	0.0%
<i>Commodities – Other</i>	6.2.12	0.0%	4.3.12	0.0%
<i>Mutual Funds/UCITs</i>	6.2.13	0.1%	4.3.13	0.0%
<i>Other</i>	6.2.14	2.3%	4.3.14	0.4%

*Figures as of quarter end. Sum of IM Required split by House/Clients (Net & Gross) is lower than Total IM required, due to no breakdown of IM required for: DTCC, HKEx OTCC, HKEx HKSCC and NSE. Data has been normalized to USD equivalent, based on foreign exchange rates at the date of the PQD quarterly releases.

Higher level of required collateral across global CCPs to manage significant market turbulence



Global CCP Collateral (Required) - **Grand Total PostHaircut***
 Q1 2019 to Q1 2020 (USD B and %)



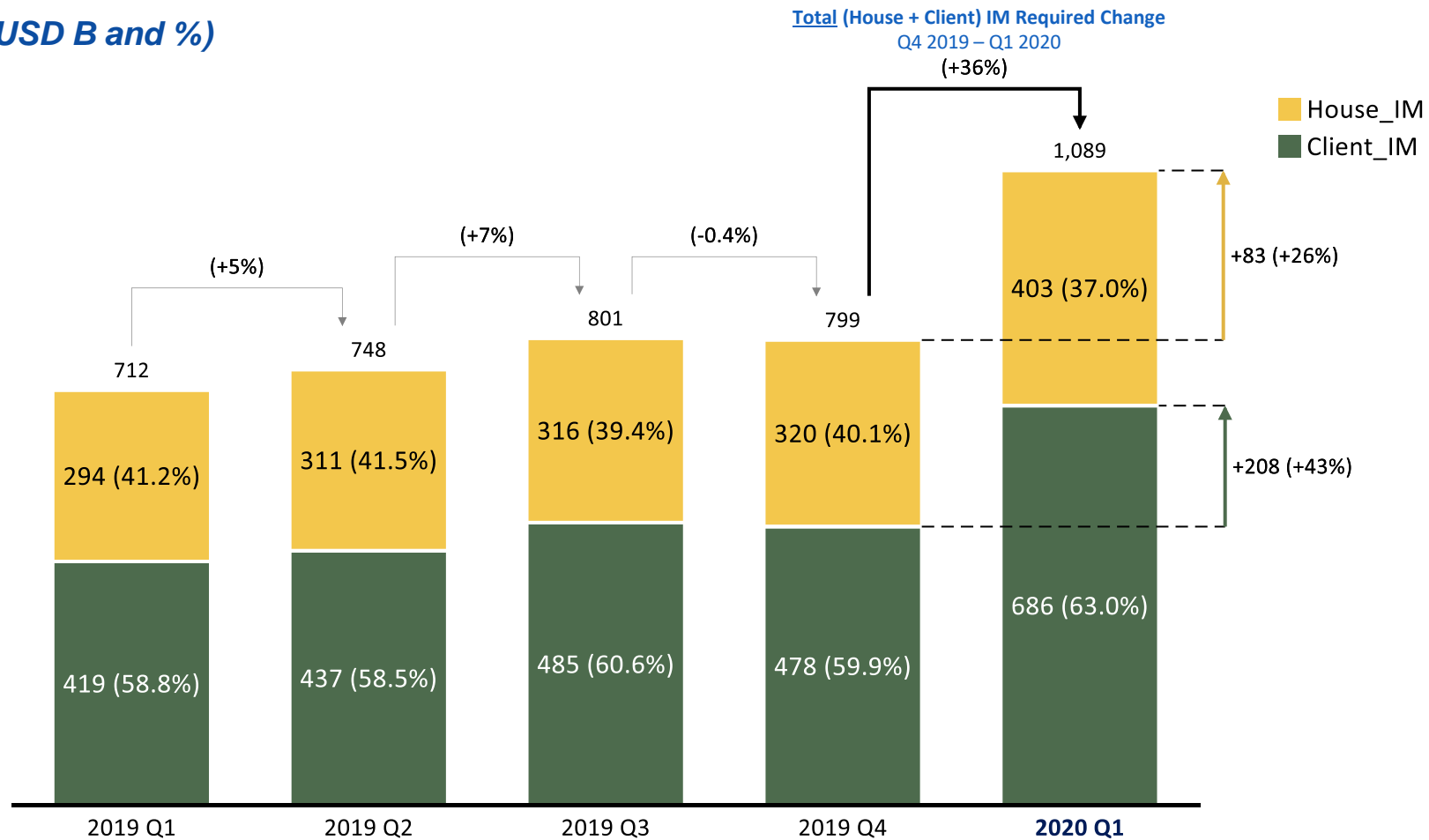
*Figures as of quarter end. Sum of IM Required split by House/Clients (Net & Gross) is lower than Total IM required, due to no breakdown of IM required for: DTCC, HKEx OTCC, HKEx HKSCC and NSE.

Steady growth across House and Client IM required. The distribution across both remains constant

Global Asset Class breakdown (Required): House IM vs. Client IM

Disclosure (6.1.1):

Q1 2019 to Q1 2020 (USD B and %)



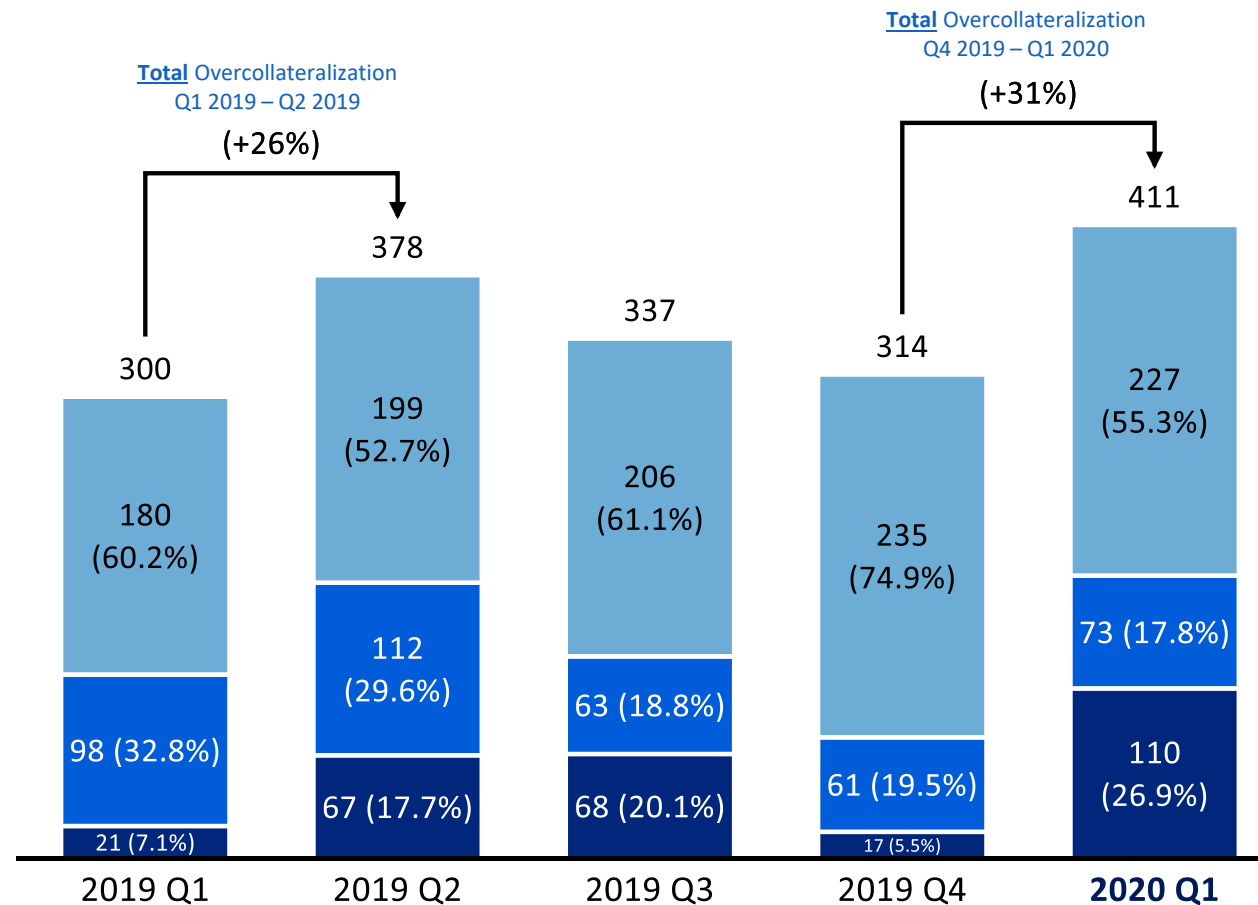
*Figures as of quarter end. Sum of IM Required split by House/Clients (Net & Gross) is lower than Total IM required, due to no breakdown of IM required for: DTCC, HKEx OTCC, HKEx HKSCC and NSE.

Global Total Overcollateralization is USD 411 B for Q1 2020, with a similar increase in comparison to Q1 – Q2 2019 Total



Global CCP Overcollateralization (IM and DF Held – IM and DF Required) PostHaircut
 Q1 2019 to Q1 2020 (USD B and %)

- EMEA
- APAC
- Americas



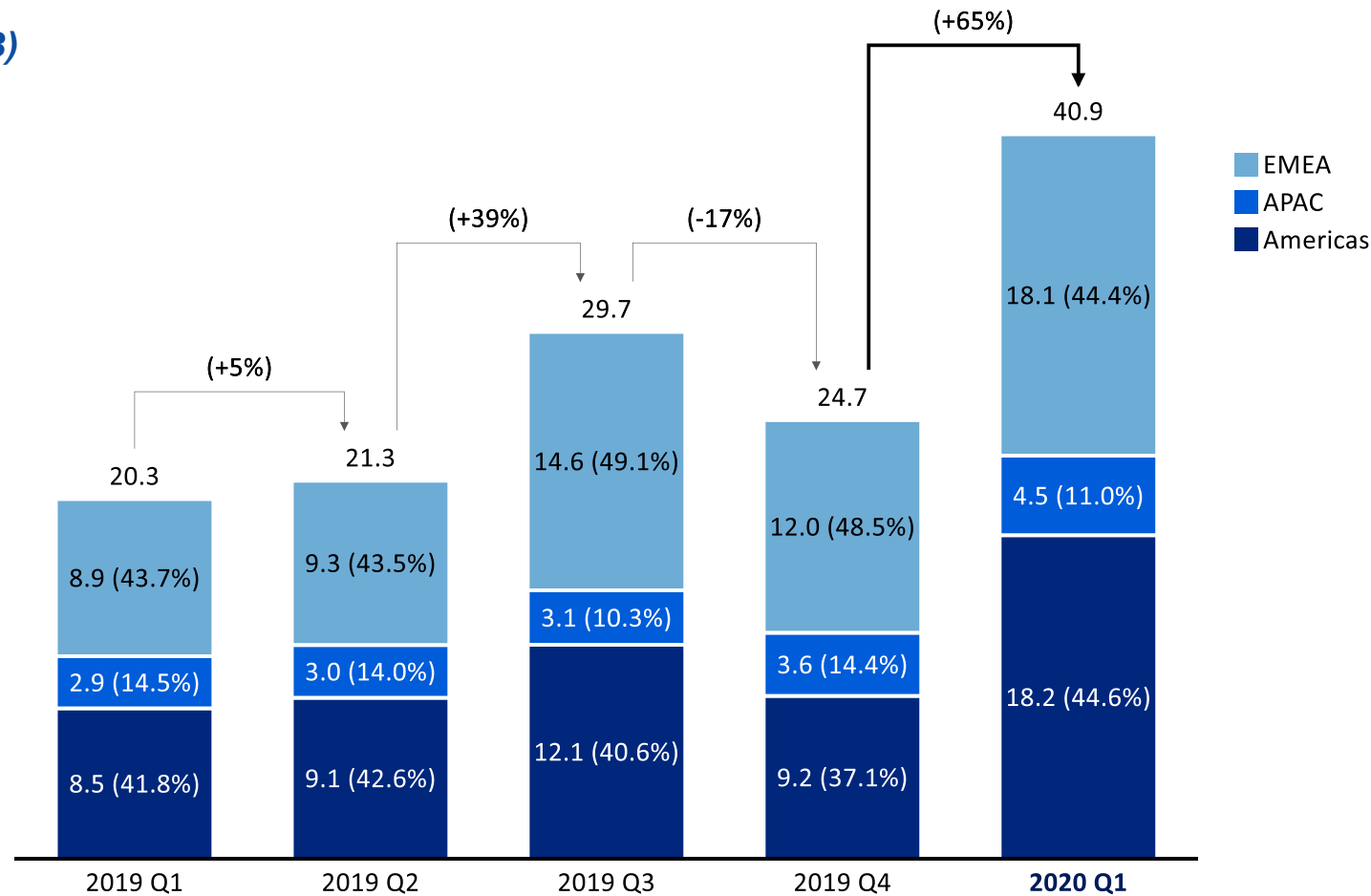
Average Total VM Paid to the CCP by participants each business day increases 65% in Q1 2020, with Americas and EMEA accounting for the largest increase



Total Global VM Paid to the CCP by participants each business day

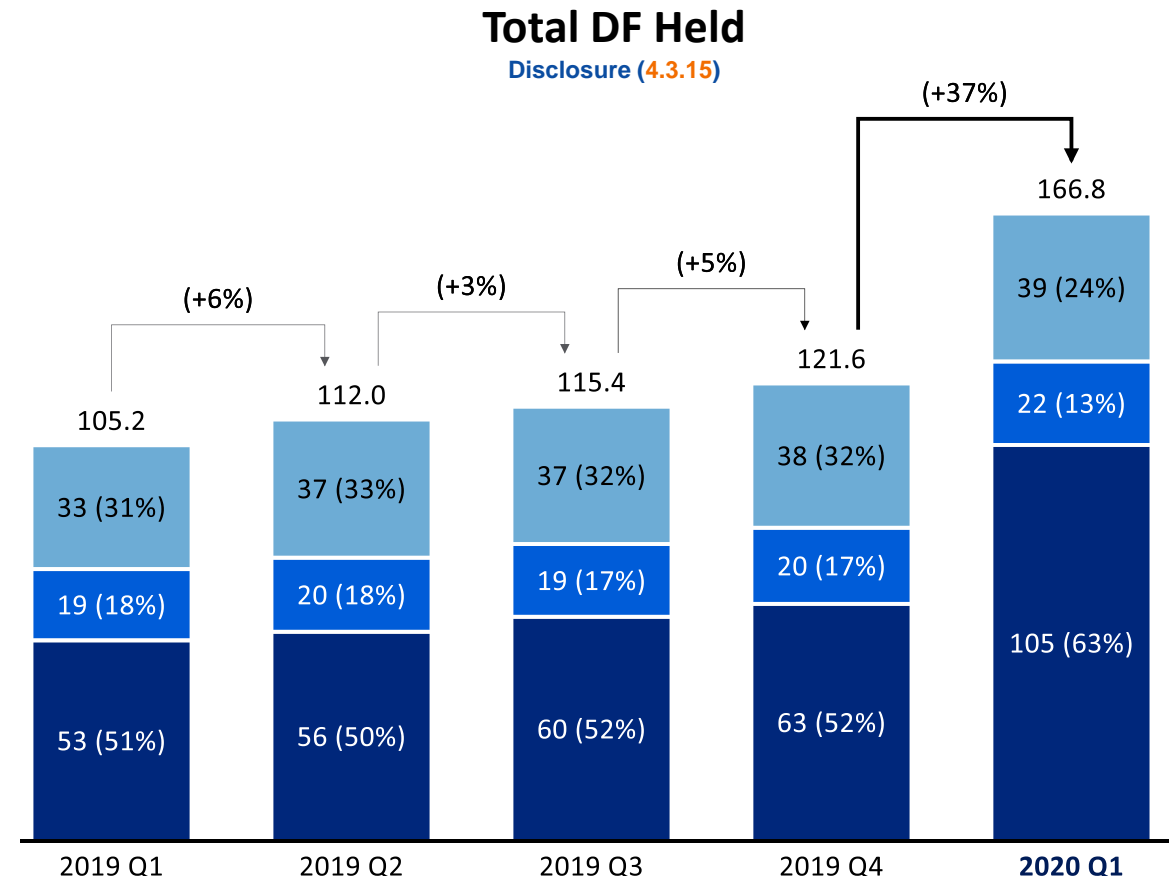
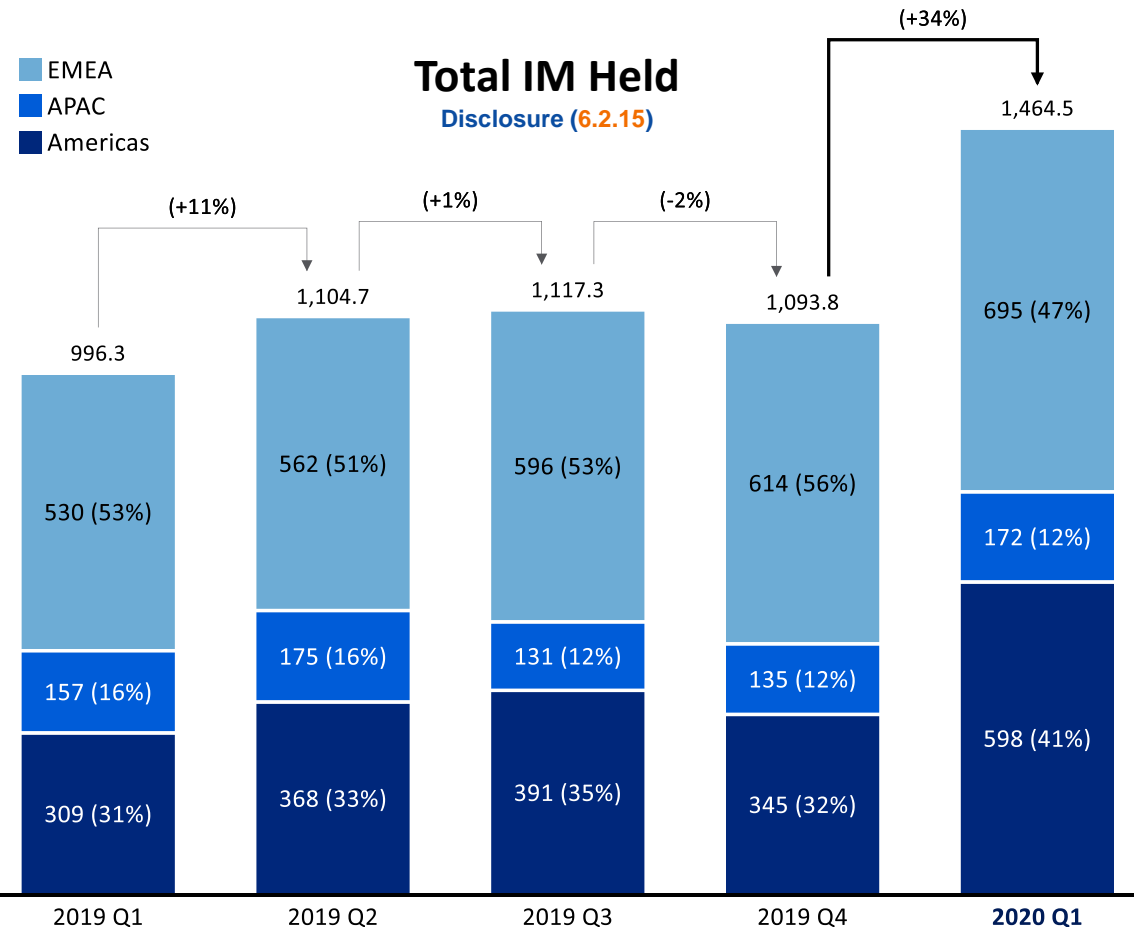
Disclosure (6.6.1)

Q1 2019 to Q1 2020 (USD B)



Majority of IM held is collected within EMEA. Higher increase in collateral held for IM and DF, compared to required (slide 5)

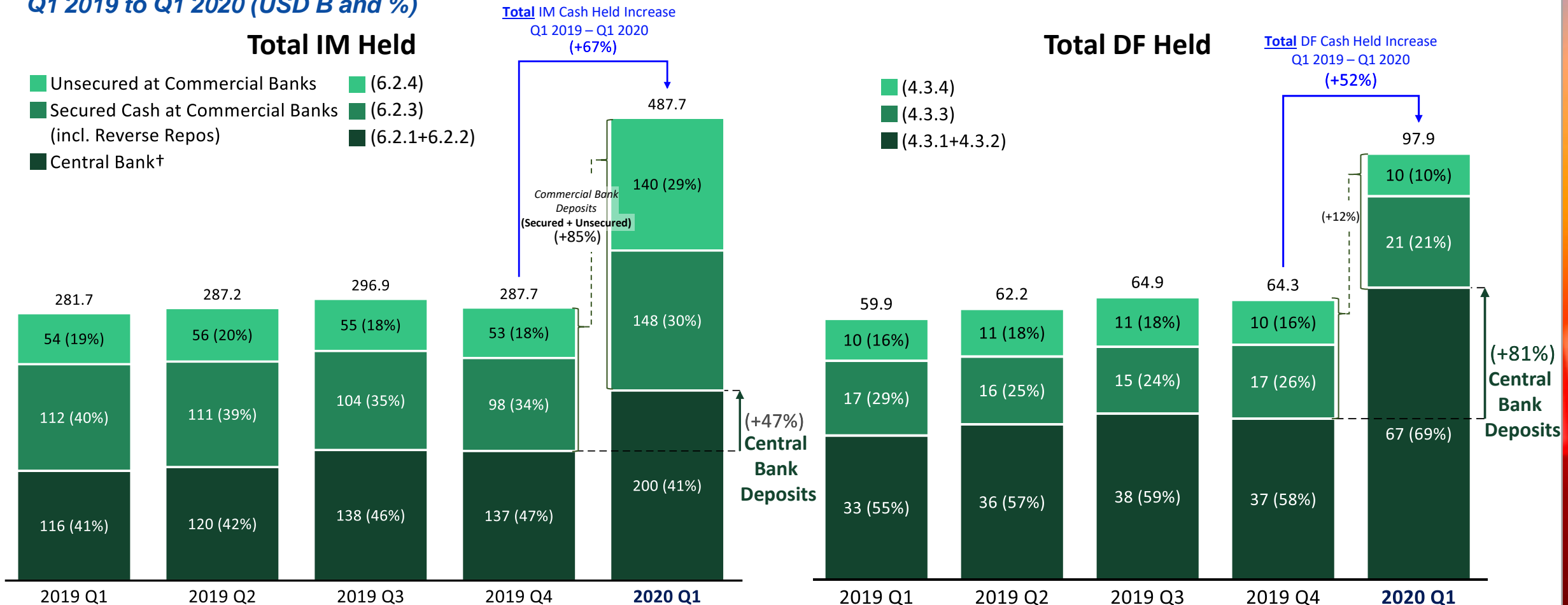
Global CCP Collateral (Held) - Grand Total PostHaircut*
 Q1 2019 to Q1 2020 (USD B and %)



*Figures as of quarter end, Sum of IM Required split by House/Clients (Net and Gross) is lower than Total IM required, due to no breakdown of IM required of DTCC, HKEx OTCC, HKEx HKSCC and NSE.
 IM: Initial Margin

Total Cash Held in Q1 2020 during CC increases **67%** and **52%** for IM and DF, respectively. Majority of all cash resources are deposited at **Central Bank†** which increased **47%** and **81%** for IM and DF **Held**, between Q4 2019 – Q1 2020

Global CCP Collateral (Held) – Cash PostHaircut*
Q1 2019 to Q1 2020 (USD B and %)

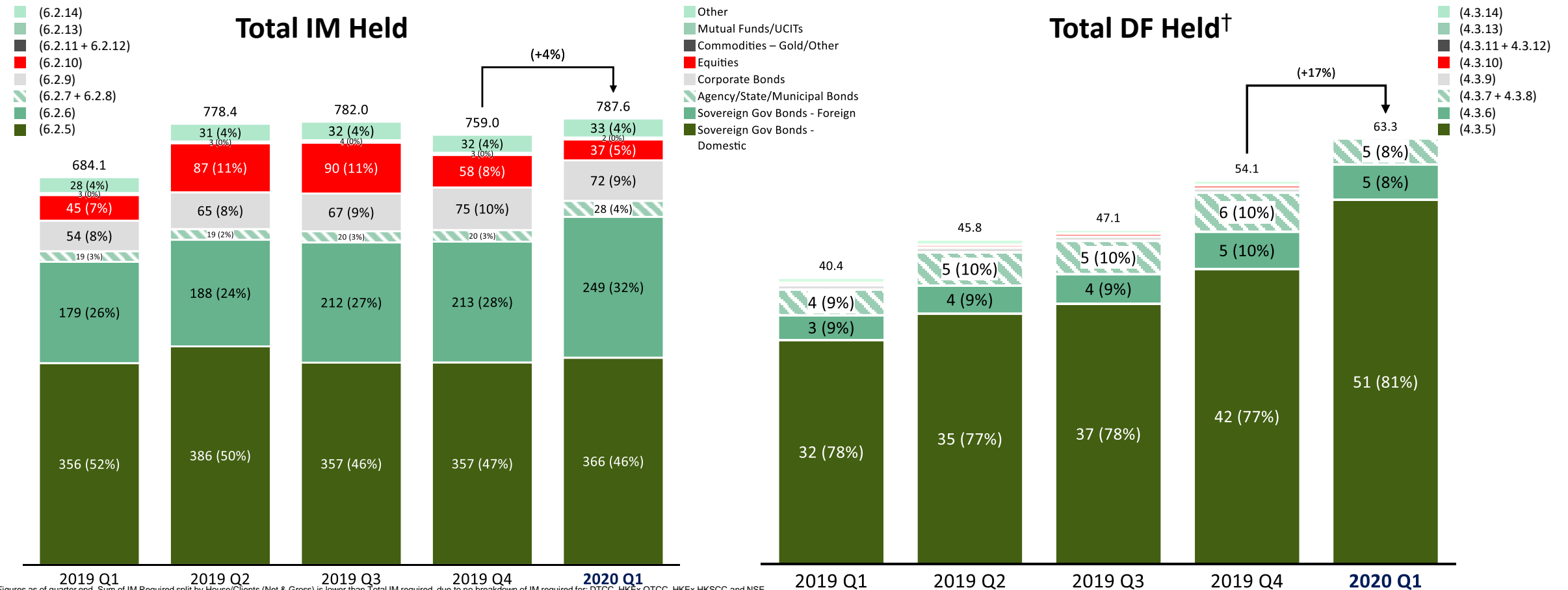


*Figures as of quarter end. Sum of IM Required split by House/Clients (Net & Gross) is lower than Total IM required, due to no breakdown of IM required for: DTCC, HKEx OTCC, HKEx HKSCC and NSE.
 †Cash deposited at "Other Central Bank of Issue" (IM: 6.2.2, DF: 4.3.2) makes up <1.9% of the total cash collateral for IM and negligible for the DF. Therefore, "Central Bank of Issue" and "Other Central Bank" Cash deposits grouped together within charts.
 CC: COVID-19 Crisis

During CC, majority of Non-Cash Held IM and DF deposits shift to Domestic or Foreign Gov bonds. This form of collateral consistently makes up the majority of Non-Cash Held Resources QoQ



Global CCP Collateral (Held) Non-Cash PostHaircut* Q1 2019 to Q1 2020 (USD B and %)



*Figures as of quarter end. Sum of IM Required split by House/Clients (Net & Gross) is lower than Total IM required, due to no breakdown of IM required for: DTCC, HKEx OTCC, HKEx HKSCC and NSE.

†Disclosures 4.3.8 – 4.3.14 constitute on average <4% of total non-cash collateral per quarter from Q1 2019 – Q1 2020.

YTD: Year to date, QoQ: Quarter-on-Quarter

CCPs reported higher availability to core clearing systems over the previous 12-month period*



Availability, Failures and Recovery Time Objectives

Q1 2020

- CCPs report the **quantity** and **duration** of operational failures affecting their **core clearing systems over the previous 12-months** on a quarterly basis:
 - **Core Systems:** Within clearing, systems enable the acceptance and novation of trades, and provide the calculation of margin and settlement obligations;
 - **Loss of Availability:** An incident that results in an interruption to the CCP's ability to perform its own functions in relation to trade acceptance and novation, or calculation of margin and settlement obligations. An incident that compromises the CCP's ability to correctly perform the aforementioned functions is also considered a 'loss of availability', even if there is no actual outage. Failure to a back-up site without interruption to services would not count as a loss of availability.

Disclosure (17.2):

- The average actual core clearing system availability over the previous twelve month period (March 31, 2019 through March 31, 2020) across all 42 CCPs was: **99.97%**

Disclosure (17.4):

- 37 out of 42 CCPs observe the standard target recovery time of: **2 hours**.
- 2 out of 42 CCPs observe a **1 hour** target recovery time, and;
- 3 out of 42 CCPs observe a **4 hour** target recovery time[†]

*For Q4 2019, the average availability of core clearing systems over the period (January 1, 2019 through to December 31, 2019) across all CCPs was 99.96%.

[†]Based on their respective regulatory requirements

CCP12 Members

CCP12



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