

FEBRUARY 2024

CCP GLOBAL NEWSLETTER

WINTER EDITION

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CEO NOTE

Dear Reader,

Another year has started, and it is a pleasure to bring you updates from the world of clearing and our membership. The second half of 2023 was marked by ever-growing volumes in centrally cleared markets – increases in key interest rates, rotations in equity and commodity values, all bringing greater need for risk management for market participants. In addition to the usual strict mark-to-market and collateralisation by CCPs for their members' and clients' exposures, there has been a great increase in volume of individual trades. Sometimes this reflects the development of new markets, for instance listed contracts offering excellent hedging and trading opportunities for institutions, other cases are driven by retail speculation or a greater specificity and granularity offered by contract types. Nonetheless, it is reassuring to note that these heightened volumes have taken place within the highest operational and technical standards expected of by CCPs.

Alongside these volume developments, there was on-going attention to other aspects of operational resilience, with notable developments including the establishment of a CPMI-IOSCO level group dedicated to these matters, multiple consultations from authorities and policy makers around the world, and wide ranging preparations for the move of North American markets in 2024 to a T+1 settlement cycle. As the public disclosures from CCPs [shows](#), the systems availability record remains excellent. Nonetheless, there have been disruptions amongst vendors that operate within the space which highlight the need for broad and careful management of resilience issues.

Cyber attacks, whether targeted at individuals, important economic or societal functions, or financial market players, in particular stand out in two ways; there is a distinct lack of enforcement, and state actors are assumed to be going beyond intelligence gathering to outright disruptive actions. While we as an industry are seized of the necessity and value of reliable and secure operations, there is a need for greater work from public authorities for securing the overall environment. By way of analogy, banks invest heavily to prevent theft, but the police and courts would also pursue any criminals.

As part of this preparedness theme, CCP Global members, in concert with their authorities and participants, held a truly [global default simulation](#) in November. Our membership also reflected on porting in a workshop during our Chicago meetings, as part of our on-going work to keep markets operating safely.

Enjoy reading our newsletter, and we look forward to seeing you at one of the many great events planned for the year!

Teo Floor
CEO
CCP Global



Recent News

CCP GLOBAL MEMBERS UNDERTOOK A JOINT WORLD-WIDE EXERCISE

In November 2023, our CCP Global – International Default Simulation (“2023 CIDS”) was successfully completed. This was the first multi-CCP default simulation exercise coordinated with collective industry efforts by CCPs through their association. Multiple international regulators were consulted, and CCP Global and its members were highly appreciative of their collaboration and guidance offered. 30+ individual CCPs (consisting of CCP Global member, and some non-CCP Global member CCPs) committed to participating actively to conduct fire drills in November 2023, starting after 13 November. All participating CCPs completed their DMP by 22 November. In addition, 15 CCP Global members joined as observers for the 2023 simulation, and will participate in the aftermath so as to take a more active role in future exercises.

Participating CCPs conducted their respective default simulations under a high-level common narrative. A hypothetical defaulting clearing member, whimsically called A.C.M.E (“A Clearing Member Everywhere”) following a proposal by a participating regulator, was assumed to be one of the 5 largest clearing members as defined by each CCP. CCPs members and their clients from across the globe joined in to simulate hedging, auctions, porting, and other features of a default management.

The 2023 CIDS will (i) provide a chance to share default management best practices among CCPs, (ii) identify areas of potential interest for follow-on work, in particular assisting CCPs that do not conduct regular simulations, and (iii) highlight fire drill insights for SSBs and regulators in post-exercise deliverables.

This is already visible in the impressive feedback and responses to surveys, which will serve as input for our upcoming CIDS workshop and subsequent report. The workshop is scheduled for March 2024 in Madrid.

[To read about CIDS and the CIDS plan, please click here.](#)



Recent News

CCP GLOBAL HELD ITS SPECIAL GENERAL MEETING VIRTUALLY

The Global Association of Central Counterparties - CCP Global (CCPG) held its Special General Meeting in Virtually on December 6th, 2023.

During the meeting, members discussed updates from the Working Committees and assessed progress towards organizational goals. Additionally, the AoA and ByLaws amendments that were made during our 2023 Annual General Meeting were officially voted on and approved.

Additionally, it was announced that Izba Rozliczeniowa Giełd Towarowych S.A. (IRGiT) would terminate their membership at CCP Global as of end of 2023.

Our next Special General Meeting will take place in November in Chicago, alongside ChicagoFed and EXPO FIA (19th to 20th of November).

CCP GLOBAL WILL HOLD ITS ANNUAL GENERAL MEETING 2024 IN ATHENS

CCP Global is delighted to announce that the next CCP Global Annual General Meeting will take place in Athens, Greece. The meeting will take place in conjunction with IOSCO's Annual General Meeting that will take place on the week of the 26th of May 2024.

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

[To read more about our future meetings, please click here](#)



Publications

CCP GLOBAL RESPONDED TO IOSCO'S CONSULTATION ON RECOMMENDATIONS FOR CRYPTO AND DIGITAL ASSET MARKETS

In July's response to IOSCO's Consultation Report on Policy Recommendations for Crypto and Digital Asset Markets, CCP Global (then CCP12) welcomed IOSCO recommendations and supported adhering to the 'same activities, same risks, same regulatory outcomes' principle. We also emphasised the importance of IOSCO and other policy-makers leveraging the robust principles and standards that have been adopted so far, by applying the same rules to entities providing services for crypto-assets that are the same as services provided to traditional financial markets.

CCP Global also commended IOSCO for promoting more transparency in the crypto-asset markets and urged regulators to introduce high standards of mandatory reporting, with a special emphasis on publicly available disclosures, consistent with the reporting provided by traditional financial markets at the time of publishing.

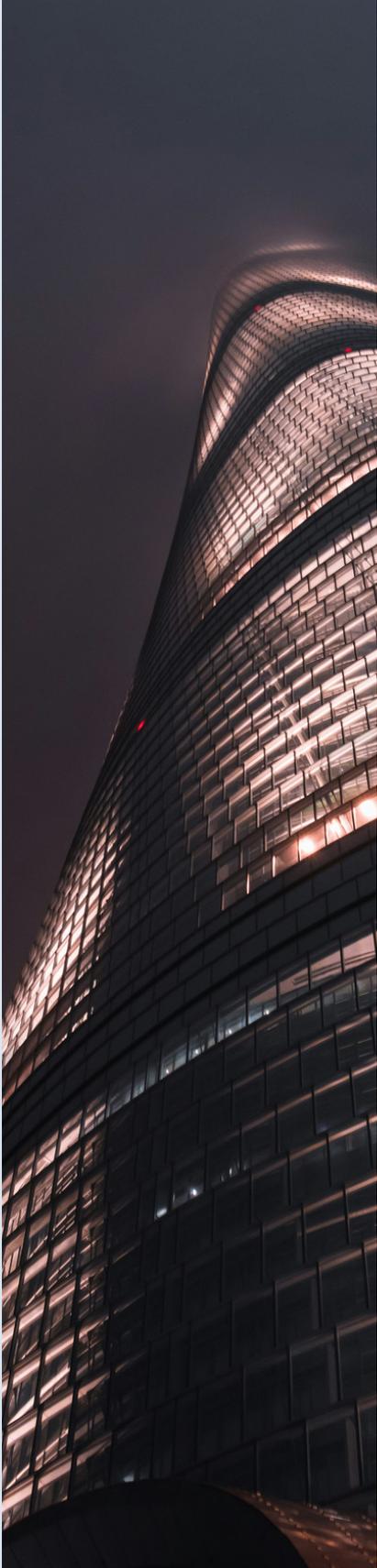
[To read the full response, please click here.](#)

CCP GLOBAL RESPONDED TO THE FSB'S CONSULTATIVE DOCUMENT ON ENHANCING THIRD-PARTY RISK MANAGEMENT AND OVERSIGHT

In August's response to the FSB's consultative document about Enhancing Third-Party Risk Management and Oversight, CCP Global supported the FSB's outcomes-based framework permitting financial institutions to customize their third-party risk management programs. We underscored the importance of third-party relationships in offering quality services and the necessity of effective risk management for these partnerships. We praised the FSB's flexible toolkit for third-party risk management, highlighting its adaptability across diverse jurisdictions and business models, and emphasized the significance of regulatory interoperability and the alignment with existing standards.

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





CCP GLOBAL RESPONDED TO CFTC'S NPR ON DCO RECOVERY AND ORDERLY WIND-DOWN PLANS

In September, CCP Global responded to the CFTC's NPR on Derivatives Clearing Organizations Recovery and Orderly Wind-down Plans; Information for Resolution Planning, where we raised concerns regarding the Proposal's prescriptiveness in its many aspects, including related to recovery scenarios and their analysis.

We also commented on the proposed requirements to notify clearing members when orderly wind-down is pending and requirements concerning agreements to be maintained in recovery and orderly wind-down, annual revision and submission of RWPs, critical operations and services vs. interconnections and interdependencies, recovery and wind-down triggers and tools, governance, testing, and data for resolution planning.

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

CCP GLOBAL RESPONDED TO CFTC'S RFC ON IMPACT OF AFFILIATIONS

An additional CCP Global response to the CFTC published in September was to the CFTC's Request for Comment on the Impact of Affiliations on Certain CFTC-Regulated Entities, where we recommended that a group's ownership of a DCM/DCO/SEF and an FCM be closely evaluated to ensure that the CFTC's long-standing policy of ensuring conflicts of interest are effectively managed is upheld.

We also advocated requiring an appropriate separation of an FCM from a DCM/DCO/SEF in the same group. This approach would permit ownership of the FCM by the group owning the DCM/DCO/SEF but would require putting in place appropriate information barriers and restrictions on shared personnel among and between the relevant affiliated regulated entities.

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



CCP GLOBAL RESPONDED TO THE ESMA CONSULTATION PAPER ON DRAFT TECHNICAL ADVICE TO THE EC ON FEES CHARGED TO TIER 1 THIRD-COUNTRY CCPs UNDER EMIR

In CCP Global's November response to the ESMA Consultation Paper on Draft Technical advice to the European Commission on fees charged to Tier 1 Third-Country CCPs under EMIR, we argued that the proposed use of Tier 1 CCPs' global clearing turnover is not an appropriate base for establishing different fee levels, as such an approach would disproportionately burden those Tier 1 CCPs with relatively high revenues globally but relatively limited nexus to the EU.

We also made a suggestion to introduce a baseline category that would establish a flat fee for small or new CCPs with limited nexus to the EU and encourage more transparency and predictability of fees.

Moreover, we mentioned that the requirement to provide the audited figures of the Tier 1 CCP's worldwide revenues from clearing services no later than 30 September of year n-1 (i.e., related to a calendar year from January to December) may be problematic for some CCPs – where the fiscal year is not identical with the calendar year and thus does not end in December.

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

CCP GLOBAL RESPONDED TO THE FSB CONSULTATION REPORT ON FINANCIAL RESOURCES AND TOOLS FOR CCP RESOLUTION

In the response to the FSB Consultation report on Financial Resources and Tools for Central Counterparty Resolution, published in November, CCP Global argued that the proposed resources and tools for CCP resolution are not needed, based on the CCPs' good past performance, the robust existing framework for CCP recovery and resolution, the positive results of the exercise that the FSB and other SSBs conducted for the March 2022 report, and the lack of quantitative data/evidence which would justify that such resources and tools are needed. We alluded to the negative impact of the resources and tools on clearing participants' incentives and the cost of clearing and emphasized that DLs and NDLs should be differentiated in the analysis, and mentioned that if the FSB decides to move forward with a standard relating to resolution-specific tools and resources, it should ensure that any new toolbox remains flexible. Finally, we provided comments to the individual proposed tools and resources and referred to one of the omitted tools in the toolbox – partial tear-ups.

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



CCP GLOBAL RESPONDED TO ESMA'S CALL FOR EVIDENCE ON SHORTENING OF THE SETTLEMENT CYCLE

In December's response from CCP Global to ESMA's open Call for Evidence on Shortening of the Settlement Cycle, we drew a clear distinction between settlement cycles included in ESMA's consultation (T+1, wherein netting is applied to trades at a fixed point in time, and T+0). We mentioned that there is a trade off in shorter settlement cycles, especially if these remove multilateral netting. However, great efficiencies would be gained, and automation is something which CCPs generally support and drive.

We stressed that, while shortening the settlement cycle has a technological component, in particular, Distributed Ledger Technology is not necessary for faster settlement, and indeed may prove to be unsuitable if precision and definitiveness is desired in a rapid manner due to the large ecosystem of linked systems and the coordination of interconnected processes across global financial markets required.

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

CCP GLOBAL PUBLISHED A PRIMER ON CCP CREDIT RISK MONITORING

In October, our "Primer on CCP Credit Risk Monitoring" was published with the goal to provide information on the existing general practices of CCP credit risk management frameworks, with a focus on the monitoring mechanism. It also highlighted that the comprehensive practices and tools, leveraging quantitative and qualitative factors, have enabled CCPs to proactively respond to any deteriorating creditworthiness of their counterparties and take appropriate corresponding actions, allowing CCPs to remain resilient in the recent market turmoil and volatility.

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



PUBLIC QUANTITATIVE DISCLOSURES

CCPG PUBLISHES PQD NEWSFLASH Q2 2023 & Q3 2023 AND QUARTERLY TRENDS REPORT Q2 2023 & Q3 2023

CCP Global published its PQD Newsflash, which includes the PQD data for Q2 2023 & Q3 2023. The CCP Global PQD Newsflash provides an overview of the risk management provided by CCPs across the globe and complements public statistics (i.e., BIS or FIA derivatives statistics).

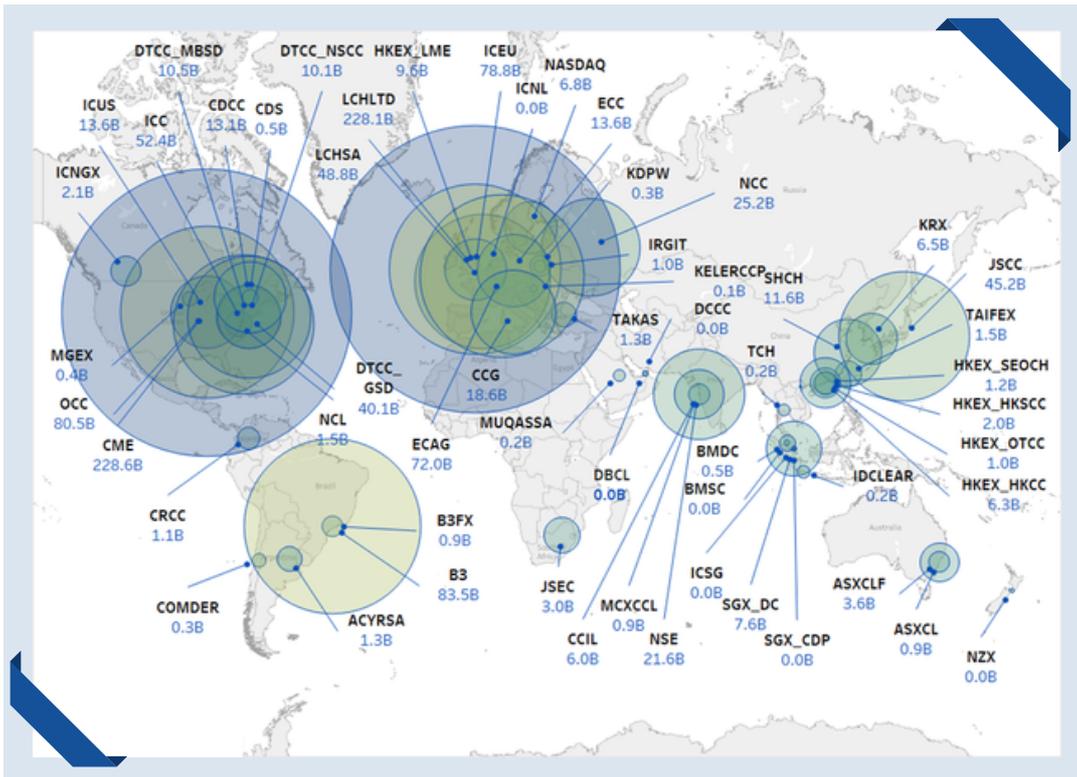
Additionally, the new CCP Global PQD Quarterly Trends report was published again, which serves as more informative report providing clear and coherent quarterly PQD statistics directly from the Central Counterparties' ("CCPs") data. The report aims to provide market participants and the public with a 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.

In the last collation 52 CCPs included: 16 CCPs from the Americas, 20 CCPs from APAC, and 16 CCPs from EMEA. For Q1 2023, the CCPs included in the collation required over USD 1,164 billion of initial margin.

The data is compiled directly from the source – the CCPs themselves – according to the standardized CCP Global PQD Template, which was implemented and is maintained by CCP Global, carrying information stipulated in global regulatory guidance. Further details for individual CCPs can be found in links provided on the [CCP Global website](#).

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

[To read the latest Quarterly Trends Report, click here.](#)



CCP Global Office Updates

STAFF CHANGES AT CCP GLOBAL

In December 2023, Veronika Riazanova, Senior Manager, said goodbye to CCP Global and Amsterdam. The same month, Ruizhe Shi finalized her secondment at CCP Global in Shanghai and returned to Shanghai Clearing House.

We thank both of them for their hard work, cooperation, expertise, and contributions to our Association, and we wish them the very best in their future endeavours.

CCP Global is delighted to welcome a new colleague, Zheng Yingge. Yingge is seconded from Shanghai Clearing House.

[To read more about our office, click here.](#)



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CCP Global (previously 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.

CCP Global promotes effective, practical, and appropriate risk management and operational standards for CCPs to ensure the safety and efficiency of the financial markets it represents.