January 26, 2022

VIA ELECTRONIC SUBMISSION
BCBS Secretariat (baselcommittee@bis.org),
CPMI Secretariat (cpmi@bis.org),
IOSCO Secretariat (consultation-04-2021@iosco.org)

Re: Basel Committee on Banking Supervision, Committee on Payments and Market Infrastructures and Board of the International Organization of Securities Commissions Consultative Report on Review of Margining Practices

The Global Association of Central Counterparties ("CCP12") appreciates the opportunity to comment on the Basel Committee on Banking Supervision ("BCBS"), the Committee on Payments and Market Infrastructures ("CPMI"), and the Board of the International Organization of Securities Commissions ("IOSCO") Consultative Report on Review of Margining Practices ("the Consultative Report").[1]

CCP12 is the global association for CCPs, representing 41 members who operate around 60 individual central counterparties ("CCPs") globally across the Americas, EMEA and the Asia-Pacific region.

Before responding to the specific questions of the Consultative Report, CCP12 would like to by way of introduction highlight key points that cut across the consultation, where further evidence or argumentation is provided for in latter answers:

- We concur with the Consultative Report, and various other regulatory publications or speeches, which have argued, evidenced, and concluded that overall, the major elements of the reforms enacted following the Great Financial Crisis behaved as expected and desired. The extreme changes in economic outlook and consequent changes in prices witnessed during the Covid-related crisis were a true stress event for financial markets. The heightened volatility was addressed, and CCPs navigated the stress successfully and disorderly counterparty credit risk concerns were avoided.

- In particular, we agree with the conclusions of the Consultative Report and publications such as the Holistic Review,[2] that greater use of CCPs mitigated counterparty credit risk, ensured robust mark-to-market and collateralisation through the stress event, and enabled market participants to continue to transact in risk transfer markets.

- Participants in centrally cleared markets, especially clearing members as direct counterparts to CCPs, performed as expected on their obligations, despite lockdowns and working from home. Data from CCPs and supplements from the Consultative Report show that clearing members managed their margin obligations effectively during the cycle, including the consistent overcollateralization and cash ratio maintained at CCPs.

[1] BCBS, CPMI, IOSCO, Consultative Report, Review of Margining Practices (Oct. 2021), available at Link
[2] FSB, Report, Holistic Review of the March Market Turmoil (Nov. 2020), available at Link

- The Initial Margin ("IM") models of CCPs performed as expected; the international and local standards for confidence levels were met and increases to margin requirements were lower than increases in volatility. IM levels were adjusted appropriately according to the established practices of CCPs, and to reflect the new market conditions, and not, for instance, reduced credit risk ratings of banks.

- As demonstrated in the Consultative Report, CCPs practices were appropriately anti-procyclical and as such, CCPs successfully supported the stability of their respective markets and the financial markets in general. This especially includes their margining practices, and beyond the reports from standard setters and regulators, we would like to refer to the following CCP12 publications, which also develop these points:
    - CCPs again demonstrate strong resilience in times of crisis – a CCP12 paper (Link)
    - CCP12 Annual Markets Review in Central Counterparty Clearing ("CCP12 AMR") (Link)
    - CCP12 Public Quantitative Disclosure ("PQD") Newsflash publications – especially Q4 2020 data (Link)

  Consistent with the Consultative Report, the publications conclude and prove, that the IM increases were limited relative to the extraordinary volatility observed, as demonstrated by the substantial increases in the size of Variation Margin ("VM") flows.[3] Subsequently this suggests that built-in conservativeness and the anti-procyclical ("APC") measures of the CCPs' margin models worked as designed.[4]

- Margins models are designed and should adequately account for prevailing market conditions and provide for the necessary coverage of risk. We applaud the Consultative Report for recognizing that "[a]n increase in IM requirements following an unprecedented shock is expected and, in many cases, is prudent risk management."[5] The data - as highlighted above - shows that CCPs IM models are not overly procyclical.

- The data in the Consultative Report (in addition to further data and information published by CCPs publicly) is comprehensive for CCPs and any conclusions reached by BCBS-CPMI-IOSCO should clearly recognize the significant transparency already provided by CCPs, including on margining (as required by the CPMI-IOSCO standards, such as the Principles for Financial Market Infrastructures: Disclosure Framework and Assessment Methodology ("PFMI")[6] and the Public Quantitative Disclosure Standards for Central Counterparties ("CCP PQD")[7]). As described further in CCP12's recently published "Perspective on Transparency,"[8] CCP12 is a strong proponent of CCPs' transparency, given its benefits for risk management.

[3] BCBS, CPMI, IOSCO, Consultative Report, Review of Margining Practices (Oct. 2021), available at Link, pages 11 and 13
[4] CCP12, Report, Annual Markets Review in Central Counterparty Clearing (Mar. 2021), available at Link, page 23
[5] BCBS, CPMI, IOSCO, Consultative Report, Review of Margining Practices (Oct. 2021), available at Link, page 20
[6] CPSS, IOSCO, Principles, Principles for Financial Market Infrastructures: Disclosure Framework and Assessment Methodology (Dec. 2012), available at Link
[7] CPMI, IOSCO, Standards, Public quantitative Disclosure Standards for Central Counterparties (Feb. 2015), available at Link
[8] CCP12, Paper, Perspective on Transparency (Nov. 2021), available at Link

- We support future efforts on transparency, especially for the non-centrally cleared market and the practices of intermediaries (e.g., liquidity impact on clients). The Consultative Report attempts to draw conclusions that compare the centrally cleared and uncleared markets, but CCP12 believes that the data is insufficient to draw conclusions on non-centrally cleared markets, particularly with respect to IM.

- In light of the points raised above, we request that the data and information relating to non-centrally cleared markets be improved. We deem it necessary that the future policy work in regard to transparency be focussed on the non-centrally cleared markets and would be happy to support the authorities' work in this area. CCP12 members have therefore prepared a concept paper for Market Participant Public Quantitative Disclosures ("MPPQD"), which would complement regulatory statistics (e.g., BIS statistics) and those available from CCPs (e.g., CCP PQDs). We attach our proposal for such MPPQDs and remain at your disposal to discuss this further.

I. Responses to specific Questions in the Consultative Report

Question 1: Does the report accurately describe the key market events of the Covid-related period of stress from February to April 2020 and its effects on the magnitude and frequency of the calculation and payment of margin in centrally and non-centrally cleared markets? If not, in what ways are the descriptions not fully representative of the events? Are there any other important events or effects missing? If so, please provide any information or data that are relevant to the missing events or effects to the extent feasible.

The Consultative Report provides ample information on the market events that occurred in centrally cleared markets to warrant an evidence-based conclusion that CCPs' practices were appropriately anti-procyclical during the Covid-related period. Changes to the IM levels were executed in a manner that is designed to mitigate cyclical impact, while maintaining appropriate protection in light of the extraordinary levels of persistent volatility day-over-day. Due to the volatility, CCPs observed significant VM flows to account for the large swings in portfolios' current values, and this movement of cash across the CCPs' members constituted the bulk of margin requirements. As a matter of best practice in risk management, CCPs are required to calculate and evaluate the VM and IM requirements on at least a daily basis, but they do so while balancing the need to manage procyclicality and margin protection. This is especially important in times of stress, and the Consultative Reports description of CCPs successful and robust performance mirrors our views and experience.

The data in the Consultative Report supports a conclusion that CCPs' practices were appropriate, and participants in centrally cleared markets understood them well. In addition to this, CCP12 has also conducted analysis that supplements the Consultative Report's information on the excess collateral posted at CCPs, which shows an increase during the Covid-related period. In the CCP12 AMR[9] and the CCP12 PQD Q4 2020 Newsflash[10] overcollateralization steadily increased, both prior to Q1 2020 and continued after the most volatile periods of the crisis (Chart 1). This may indicate that participants did not need to remove optional excess collateral lodged at CCPs and speaks for their strong liquidity profiles and prudency.

[9] CCP12, Report, Annual Markets Review in Central Counterparty Clearing (Mar. 2021), available at Link
[10] CCP12, Newsflash, CCP12 Newsflash 2020 Q4 Data (Apr. 2021), available at Link

Chart 1: Global IM Overcollateralization - Q1 2019 to Q3 2021[11]

Additionally, even though CCPs typically do not require IM (or at least all of IM) to be posted in cash, the proportion of collateral held as cash increased from about 37% to about 43% during March and April 2020.[12] In line with this, the Financial Stability Board[13] also noted that whilst CCPs accept various types of assets, such as high-quality sovereign debt, as non-cash IM collateral, evidence indicates that firms chose to post cash instead. These two facts indicate a strong capital and liquidity profile of CMs and portend to the absence of a "dash for cash" in the centrally cleared markets. Of course, these choices by clearing participants can be complex, but had there been a dash for cash, one would expect that CMs would reduce their excess collateral and/or deposit less cash with CCPs. This supports the argument that markets cleared through CCPs were not the cause of systemic liquidity issues in the Covid-related period.

In contrast to the Consultative Report's data on centrally cleared markets, the sections on non-centrally cleared markets are not extensive and it is difficult to be as conclusive. As the Consultative Report outlines, the data for non-centrally cleared markets only covers a subset of market participants, since it primarily relies on the survey responses from only 63 intermediaries and Acadia. Not only does this data cover just a subset of market participants, but it is not sufficiently granular as to the origins of the margin flows. As the discussion sessions organised for the Consultative Report highlighted, those bilateral relations which are not covered by margining are also not included. For this portion of derivatives or other exposures, margin and liquidity requirements are zero, and a thorough report could outline what, if any, risk concerns lack of margining created. As another challenge, the "netted margin" as shown on page 17 of the Consultative Report is not helpful in conducting conclusive analysis because one cannot attribute the origins of the netted margin, since it includes combined margin calls netted across discretionary IM and VM. This is particularly troubling because even though the Consultative Report includes some

[11] CCP12 Members PQD Data Q1 2019 to Q3 2021
[12] BCBS, CPMI, IOSCO, Consultative Report, Review of Margining Practices (Oct. 2021), available at Link, pages 19-20
[13] FSB, Report, Holistic Review of the March Market Turmoil (Nov. 2020), available at Link

quantitative data on regulatorily driven IM calls for non-centrally cleared markets, the bulk of collateral balances are captured by netted margin amounts.[14] Given the lack of complete and granular data, the Consultative Report is less comprehensive with respect to non-centrally cleared markets, particularly for IM. This does not allow for any evidence-based conclusions on the performance of these markets during the Covid-related period.

In addition, the Consultative Report is less definitive and descriptive on the practices employed by intermediaries for IM calls to clients, including discretionary calls that exceed CCPs' required amounts, and the size of those calls. CCP12 appreciates that Sections 3 and 5.2 of the Consultative Report highlight the factors that affected the size of margin received by intermediaries and client's preparedness in meeting VM and IM calls, respectively, but this does not provide a holistic picture of clients' experience during the Covid-related period. Thus, it would be useful to have further information on the practices of intermediaries with respect to clients, particularly on the sizes of discretionary IM calls.

Due to the above-mentioned lack of data on the non-centrally cleared markets, a comparison of margin increases within the centrally and non-centrally cleared markets is not possible. Broadly, the shortcomings of the data for non-centrally cleared markets, in conjunction with the lack of data on the practices of intermediaries, hinder the ability of the Consultative Report to accurately capture the market events in these areas during the Covid-related period.

Question 2: Does the report draw appropriate conclusions from the presented observations and analysis of the various aspects of centrally and non-centrally cleared margin during the 2020 stress period? If not, in what cases do you feel the conclusions are not justified by the included analysis? Are there any areas or specific topics of analysis you consider to be missing? If so, please provide any information or data that are relevant to the extent feasible. Please set out your views across the following sections:

CCPs' practices are designed to be appropriately anti-procyclical and were demonstrated to be so during the Covid-related period; this should be a clear conclusion of BCBS-CPMI-IOSCO. The anti-procyclical nature of CCP IM models has contributed to financial market stability, especially in times of crises as was demonstrated during the Covid-19 pandemic.

We do not consider the Consultative Report to have sufficient information to justify strong conclusions for non-centrally cleared markets, or their comparison to centrally cleared markets.

a. The drivers of margin calls during the period of market stress covered by the report.

We agree with the data and detail of the Consultative Report for centrally cleared markets, including the key finding in Figure 15 that shows that the "risk factor IM changes were lower in all cases, on a relative basis, than volatility increases".[15] The CCP12 AMR reaches a similar conclusion, illustrated for instance by the following. In March 2020, the VIX moved by approximately 490%, an increase which was not replicated by CCPs' IM increases[16], which supports that CCPs margin models were appropriately non-procyclical. Similarly, the Consultative Report found that IM calls for centrally cleared markets increased

[14] BCBS, CPMI, IOSCO, Consultative Report, Review of Margining Practices (Oct. 2021), available at Link, pages 17
[15] BCBS, CPMI, IOSCO, Consultative Report, Review of Margining Practices (Oct. 2021), available at Link, page 26
[16] CCP12, Report, Annual Markets Review in Central Counterparty Clearing (Mar. 2021), available at Link, page 24

by 40% from February to mid-March 2020, which was drastically smaller than the VIX's increase.[17] Along these same lines, CCP12's analysis using CCP PQDs demonstrated that between quarter-end for Q4 2019 and Q1 2020 CCPs' required IM increased by only 37%, which was far smaller than the percentage change in the VIX, as shown in Chart 2, Chart 3 and Chart 4. Using VM as another measure of volatility, it is once again affirmed in the Consultative Report that CCPs' IM calls were appropriate, since VM calls increased to its peak in March 2020 by 460%.[18] CCP12's own analysis also demonstrated the significant size of VM changes during the Covid-related period, particularly as compared to changes in IM, which is shown in Chart 5.

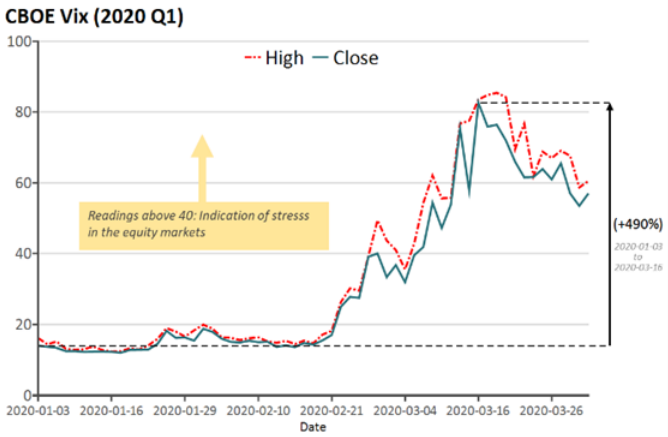

Chart 2: CBOE Volatility Index - Q1 202019

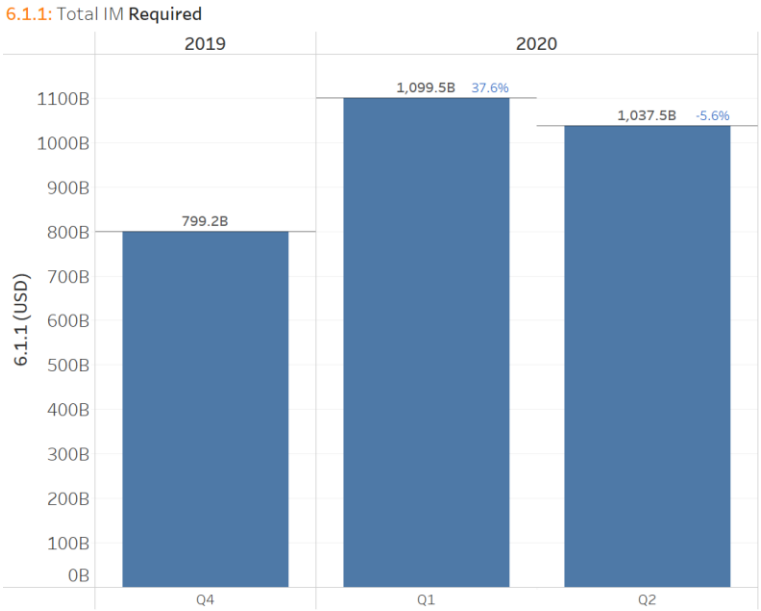

Chart 3: 6.1.1: Total IM Required – Q4 2019 to Q2 2020[20]

[17] BCBS, CPMI, IOSCO, Consultative Report, Review of Margining Practices (Oct. 2021), available at Link, page 13
[18] BCBS, CPMI, IOSCO, Consultative Report, Review of Margining Practices (Oct. 2021), available at Link, page 11
[19] CBOE, Index, Volatility Index Q1 2020, available at Link
[20] CCP12 Members PQD Data Q4 2019 to Q2 2020

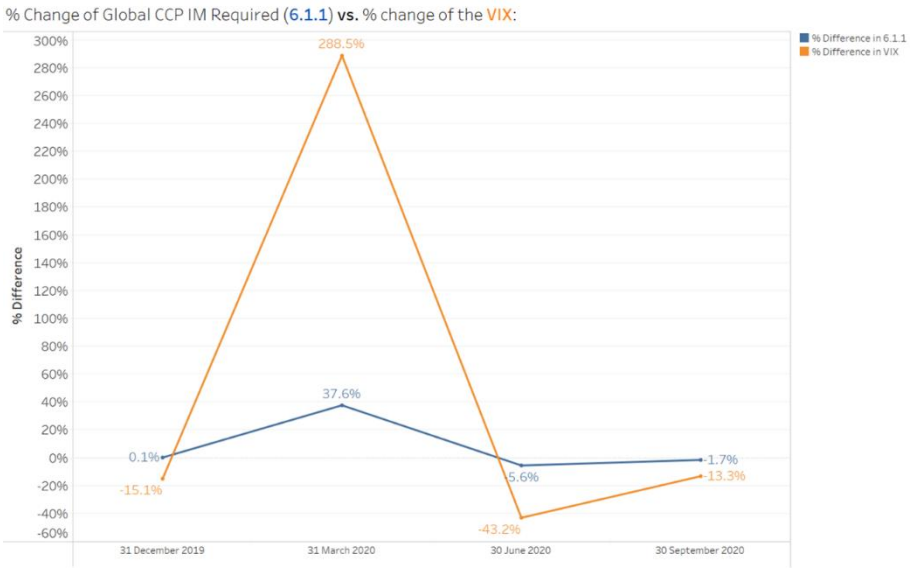

Chart 4: 6.1.1: Percentage Change of Global IM Required vs. Percentage Change of the VIX - Q4 2019 to Q3 2020[21]

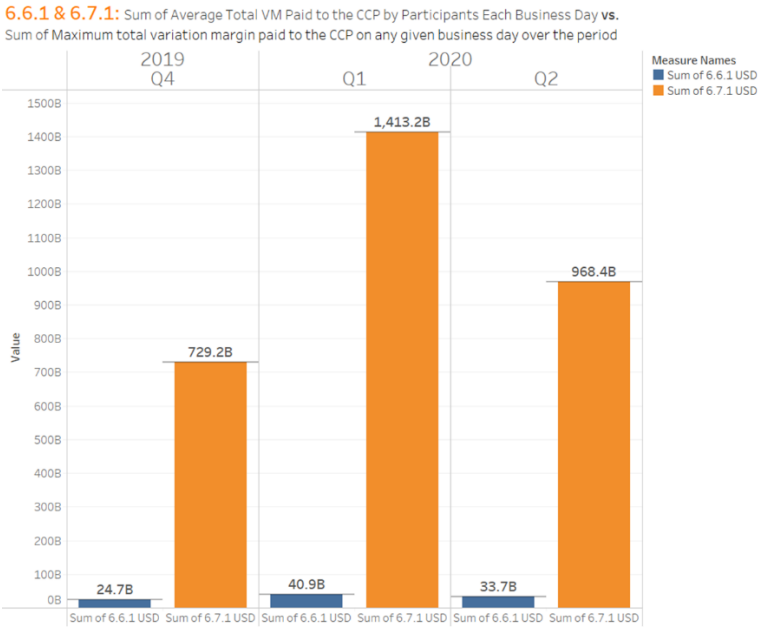

Chart 5: 6.6.1: Sum of Average Total VM Paid each Business Day & 6.7.1: Sum of Maximum Total VM Paid on any given Business Day - Q4 2019 to Q2 2020[22]

The Consultative Report notes that out of the listed factors potentially affecting margin calls which intermediaries paid and received, market volatility was the most important factor for centrally cleared

[21] CCP12 Members PQD Data Q4 2019 to Q2 2020; CBOE, Index, Volatility Index Q1 2020, available at Link
[22] CCP12 Members PQD Data Q4 2019 to Q2 2020

markets and changes in margin parameters were not even among the top five factors.[23] This is partly explained as a result of existing buffers and prudency in CCP margin models to account for the initial volatile period.

The appropriate margining practices, governance, and supervision of CCPs are in place to mitigate procyclical effects while protecting against unprecedented and persistent volatility. The Bank of England ("BoE") rightfully concluded "the peak one-day increase in initial margin was considerably smaller than peak one-day variation margin flows through the crisis. This was in part due to prudent measures taken by CCPs before the crisis to prevent initial margin from falling too far in "good times" and to prevent large or unexpected step changes in initial margin requirements when market volatility starts to rise."[24] The Commodity Futures Trading Commission ("CFTC") noted similarly that aggregate VM calls exceeded incremental IM calls.[25]

Furthermore, CCPs continued to maintain prudent margin coverage during the Covid-related period, as demonstrated by the back-testing coverage results, where the overall achieved coverage level remained above 99% (on average) across all regions during Q1 2020, as shown in Chart 6 below:

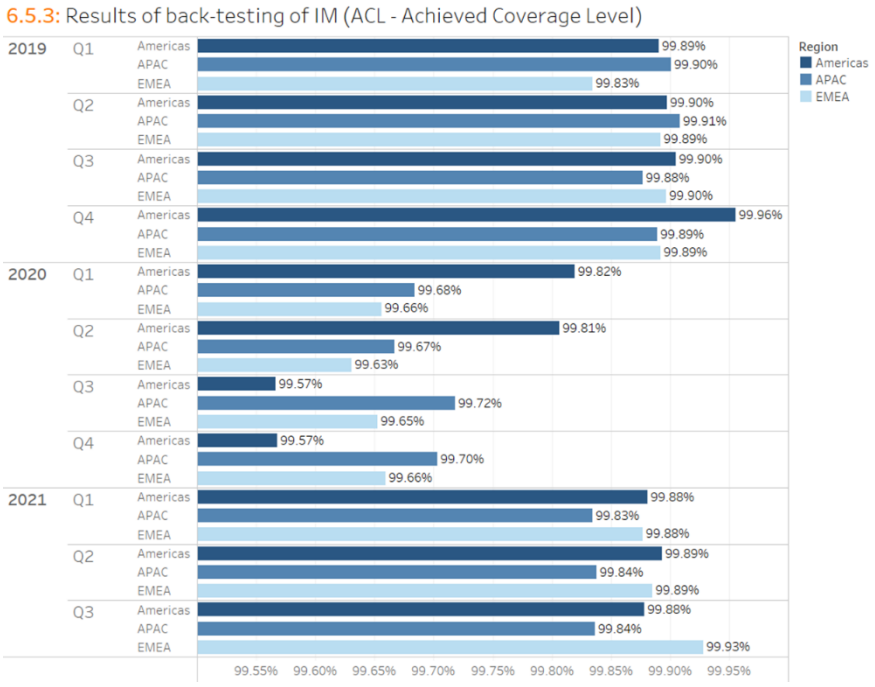

Chart 6: 6.5.3: IM Back-testing – Q1 2019 to Q3 2021[26]

[23] BCBS, CPMI, IOSCO, Consultative Report, Review of Margining Practices (Oct. 2021), available at Link, pages 21-22
[24] BoE, Speech, Financial System Resilience: Lessons from a real stress - speech by Jon Cunliffe (Jun. 2020), available at Link
[25] CFTC Staff, Interim Staff Report, Cleared Derivatives Markets: March – April 2020 (Jun. 2021), available at Link, pages 13-14
[26] CCP12 Members PQD Data Q1 2019 to Q3 2021

b. The current level of transparency in margin practices by CCPs and intermediaries.

The detail in the Consultative Report, and other publications, are all able to directly and granularly analyse margin practices at individual CCPs or collectively, and we consider this excellent evidence of a suitable level of transparency at CCPs. Of course, CCP12 recognizes the benefits transparency provides to the financial markets and would like to emphasize the efforts CCPs have undertaken in the past years to further enhance the transparency of their risk management practices, enabling and supporting an open dialogue between CCPs, participants, regulators, and standard setters. As also discussed in our response to Question 4, CCPs already provide a significant amount of quantitative and qualitative information publicly, as well as directly to market participants. CCP12 believes the financial system would benefit from this being reciprocated by market participants.

c. The preparedness of intermediaries and clients for meeting the increased margin calls seen during the period of market stress covered by the report.

Please see our response to Question 5.

d. The relationship between margin demands and other liquidity demands during the period February–April 2020.

Please see our response to Question 1.

Question 3: Do you agree with the proposals for further international work regarding good practices, metrics and disclosures concerning procyclicality in CCP IM models? Are there other aspects of CCP IM where additional disclosures should be prioritised for further work?

We consider the level of transparency provided by CCPs publicly is appropriate and includes both quantitative and qualitative information disclosed in accordance with agreed upon international standards on their risk management practices (e.g., CCP PQDs[27] and PFMI[28]), in addition to the CCPs' publicly available rulebooks, among other information. CCPs also provide extensive transparency with respect to margin models and their calibration to intermediaries and clients directly. As noted by the Consultative Report "a large percentage of CCP survey respondents (85%) indicated that information on margin models and methodologies are publicly available on their websites, while 76% indicated that they make margin calculators or simulators available to their clearing members and in many cases clients".[29] Therefore, CCP12 disagrees with the statement made in the Consultative Report that there are "generally, low levels of transparency around modelling choices and governance practices".[30]

Notwithstanding the significant transparency provided by CCPs today, including on their margining practices, as outlined in our response to Question 2, CCPs IM models demonstrated that they were appropriately anti-procyclical during the Covid-related period. Thus, further international work on good practices, metrics and disclosures concerning procyclicality in CCP IM models, or additional prescriptive international standards is not warranted at this time. We would also caution against the difficulty in

[27] CPMI, IOSCO, Standards, Public quantitative disclosure standards for central counterparties (Feb. 2015), available at Link
[28] CPSS, IOSCO, Consultative Report, Disclosure framework for financial market infrastructures (Apr. 2012), available at Link
[29] BCBS, CPMI, IOSCO, Consultative Report, Review of Margining Practices (Oct. 2021), available at Link, page 28
[30] BCBS, CPMI, IOSCO, Consultative Report, Review of Margining Practices (Oct. 2021), available at Link, page 38

creating metrics that would appropriately balance prudency with reactivity across the wide variety of methodologies and market behaviours across the cleared spectrum.

Question 4: Does the report identify appropriate aspects of transparency in centrally and non-centrally cleared markets for further international work, including identifying data gaps, enhancing disclosures to clearing members and increasing margin model transparency?

a. **What specific areas of transparency would be most helpful? What (if any) are the barriers to providing those points of transparency?**

b. **Should any other areas of increased transparency be considered?**

As the Consultative Report outlines and demonstrated by CCPs' substantial transparency, centrally cleared markets lend themselves well to analysis by market stakeholders. However, for market participant liquidity preparedness, margining in non-centrally cleared markets, and the clearing member – client relation, the limitations of data outlined in the Consultative Report are clearly described. Thus, further international work should focus on transparency in these areas.

For CCPs themselves, it is important that the way in which they operate is transparent and understood by its participants. To this end, CCPs' requirements and procedures are clearly laid out in their publicly available rulebooks. CCPs also prepare qualitative disclosures in accordance with the internationally recognized PFMIs and publish quantitative data quarterly in accordance with the CCP PQD Standards.[31] CCPs also individually provide other information on their practices on their websites. Further information provided to respective market stakeholders, such as intermediaries, clients and regulators is also highlighted in the CCP12 Perspective on Transparency (i.e., details on technical, operational, and functional aspects of the CCP; training; details on default events; responding to questions and due diligence questionnaires).[32] In addition to this, CCP12 supports its members in strengthening and promoting the level of CCP transparency by developing standard definitions, methodologies, and templates – such as the CCP12 PQD Template[33] – or guidelines – such as the CCP12 PQD FAQ Guide.[34]

The level of transparency provided by CCPs is however not replicated by other financial market intermediaries, which has been evident in the policy evaluation and debate in the aftermath of Covid-related period. While bank holding companies of intermediaries typically make disclosures consistent with local regulations that implement the BCBS' standards, these disclosures are not tailored to financial markets, including centrally cleared markets, and counterparty disclosures. These disclosures do not provide sufficient insight into the risk's intermediaries face from their non-centrally cleared exposures, prime brokerage, and other capital markets activities. Moreover, these disclosures are not made at the intermediary level, nor provided by all intermediaries' parents. Having further standardized transparency from intermediaries would support CCPs' and market participants' holistic view of clearing members' risk management practices and exposures and enhance the monitoring of the risks to their members. Standardized transparency improvements for intermediaries would not only ease the comparability of

[31] CCP12, Paper, Perspective on Transparency (Nov. 2021), available at Link
[32] CCP12, Paper, Perspective on Transparency (Nov. 2021), available at Link
[33] CCP12, Template, CCP12 PQD Template (Oct. 2021), available at Link
[34] CCP12, Guideline, CCP12 PQD FAQ Guide (Jun. 2021), available at Link

different data points, but it would also benefit the ongoing overview of risk by the continued creation of such data in the first place. In general, the availability of further disclosures would not only benefit the CCPs but all market participants. The importance of further visibility into the risk taking of intermediaries and broker-dealers in the opaque non-centrally cleared markets has also been reinforced by recent market events where such activity had a material impact on the group capital and liquidity levels of bank-affiliated intermediaries.[35]

Given the risks posed by intermediaries to the clearing eco-system, CCP12 strongly suggests implementing MPPQDs, and a concept paper has been attached for your reference. The concept is similar to that of the CCP PQDs, and a quarterly publication of the MPPQDs would complement other statistics. This will help regulators, policymakers, and other market stakeholders to better understand the risks being taken by intermediaries in both centrally and non-centrally cleared markets. While we do not believe this is fulsome enough, at a minimum, we believe the publication of disclosures similar to what CFTC-registered FCMs disclose should be adopted elsewhere, as they provide some data, primarily related to customer funds held in segregation, which can be complementary to CCP PQDs.

As described in our response to Question 5, we furthermore would encourage intermediaries to improve communication with their clients and – with the consent of the respective CCP, when available and if possible – forward data, processes, procedures, and/or calculators related to CCPs' margining processes to clients.

Question 5: Do you agree with the proposals for further international work to enhance liquidity preparedness in the NBFI sector, including the development of appropriate liquidity metrics and disclosures, analysis of liquidity provision robustness and expanded information sharing between intermediaries and clients? Have the proposals identified all key aspects of NBFI sector liquidity preparedness which should be included?

CCP12 welcomes the BCBS-CPMI-IOSCO proposals for further work to enhance the liquidity preparedness of market participants and to expand information sharing between intermediaries and clients. This is particularly the case as survey results presented in the Consultative Report showed that some clients consider that the actions of intermediaries could have contributed to margin unpredictability and that mismatches between the processes and their timing at different intermediaries could have increased the need for clients to hold liquidity buffers.[36] CCP12 especially supports "the use by clearing members of clear, transparent and more standardised disclosures, and automated margin processes/procedures." Clients should carefully study and discuss the way in which their intermediaries call for margin, but CCP12 does not see the need for harmonisation in this area given that intermediaries have to develop their own risk management approaches that account for the client clearing services that they provide.

Additionally, for the non-centrally cleared space, there have been some reports[37] that non-centrally cleared markets witnessed lower liquidity given based on counterparty credit risk concerns. The recent

[35] Credit Suisse, Press Release, Credit Suisse Group publishes the report of the independent external investigation into Archegos Capital Management (Jul. 2021), available at Link
[36] BCBS, CPMI, IOSCO, Consultative Report, Review of Margining Practices (Oct. 2021), available at Link, page 34
[37] ISDA, Survey, New Survey on Derivatives Market Liquidity and COVID-19 (Jun. 2020), available at Link

report by IOSCO[38] on non-bank financial intermediation ("NBFIs") indicates and concludes that collateral liquidation itself by private sector entities was not the primary cause of price changes. As the Consultative Report adumbrates, future work could develop these two themes, to see whether there were challenges in liquidating collateral needed to sustain margins in the non-centrally cleared space.

For liquidity impact, the Consultative Report also rightly highlights this as a key area of investigation. CCP12 shares the view, as mentioned in the discussions organised by BCBS-CPMI-IOSCO and elsewhere, that netting of VM is an extremely beneficial feature that helps to limit the amount of liquidity to be called. Given this, future work on analysing whether or not margining practices for non-centrally cleared markets were suitable for both removing or mitigating counterparty credit risk (and doing so without undue stress in light of market moves) would greatly benefit from more granular data. Only then can the conceptual work properly analyse the difference between non-centrally cleared and cleared VM processes.

Question 6: Do you agree with the proposals for further international work to evaluate data gaps in regulatory reporting by banks and non-banks? Are there particular data gaps you would identify as being of material importance? If so, please provide any supporting information and data to the extent feasible.

CCP12 generally agrees with the proposal for further international work to evaluate data gaps in regulatory reporting by banks and non-banks. However, we would like to highlight our understanding, that CCPs are not included in the definition of "banks and non-banks", as there have been diverse understandings of the term "Non-Bank Financial Intermediation" or "NBFI" in the past.

In particular, in order to assess whether liquidity resources of banks and non-banks were sufficient to cover requirements, further granular data would be especially useful. The Consultative Report already includes aggregate numbers, and these clearly show that margin requirements were a small fraction of available resources, but more detailed data could be helpful in determining if particular types of firms experienced liquidity stress and should consider adjustments.

Question 7: Does the report identify appropriate proposals for further international work on streamlining VM processes in centrally and non-centrally cleared markets? Should any other aspects of VM processes be included in this work?

CCPs must have the ability to set their VM processes and practices according to the market specificities and the local jurisdictions they serve and hence a 'one-size-fits-all approach' would not be appropriate. The increases in VM flows during the Covid-related period demonstrate the severe day-over-day mark-to-market movements portfolios were experiencing, as would be expected given the levels of volatility during that period. Despite this, CCP participants both paid and received these payments without any material issues.

It is important to point out that based on data presented in the Consultative Report, VM for non-centrally cleared positions generally seemed to exceed that for centrally cleared for most of the duration of the

[38] IOSCO, Report, IOSCO Investment Funds Statistics Report (Jan. 2022), available at Link

market stress. This, in conjunction with non-application of bilateral IM and VM to many counterparty relations, suggests that if concerns are raised on liquidity preparedness international work might fruitfully focus on improving data in non-centrally cleared markets.

Question 8: Does the report identify appropriate proposals for further international work on the degree and nature of the responsiveness of CCP IM models to market stress? Should any other aspects of CCP margin models be included in this initiative?

As evidenced in our response to Question 2 and the Consultative Report itself, during the Covid-related period CCPs provided market participants with an efficient and effective forum to manage their risks, whilst providing transparency and operational reliability, which ultimately supported the stability of the broader financial system. This was despite the challenges which remote working presented during the period, as well as the extraordinary levels of volatility. Naturally, CCPs observed significant increases in VM flows due to the observed market moves and were able to process these payments as well as clear and settle a higher volume of transactions in a timely manner. For IM, international standards, local regulation, and CCPs governance is extremely structured to maintain appropriate IM coverage, whilst also avoiding unnecessarily procyclical changes to IM requirements relative to the observed levels of market volatility.

CCPs incorporate mechanisms in their respective IM methodologies that mitigate the need and likelihood of one-time large or unreasonable changes in IM levels in times of stress, but also are sufficiently risk sensitive. For instance, CCPs can and do:

(i) Utilize floors on the IM rate, amount, or risk factors.
(ii) Install a buffer which is adjusted lower as volatility increases.
(iii) Include data from stressed market episodes in the IM methodology; and/or,
(iv) Increase the lookback period.

It was appropriate and to be expected that due to the extreme levels of volatility observed, CCPs would be required to raise IM levels. Aggregate IM levels were also impacted by participants changing their portfolio. However, margin rate and IM increases were lower than the corresponding increases in the price volatility observed. CCP margin models adjusted as designed to reflect greater market risk, providing for a low incidence of margin breaches, while also avoiding being unnecessarily procyclical (as observed, in part, by comparing VM and IM flows). These data points are expanded upon in our response to Question 2 and evidences the appropriateness of the responses of CCPs to the volatility observed during the Covid-related period.

The Consultative Report also provides evidence that CCPs margining practices did not result in undue liquidity constraints on participants. In addition to the overcollateralization and the increase in cash deposits that CCPs observed in their markets (as described in our response to Question 1), even at their peak total (VM and IM) margin calls in the centrally and non-centrally cleared space only accounted for 2.5% or less of the overall liquid resources and an average of 5% or less of the central bank reserves held by larger intermediaries during the early 2020 market turmoil.[39] These ratios demonstrate that

[39] BCBS, CPMI, IOSCO, Consultative Report, Review of Margining Practices (Oct. 2021), available at Link, page 33

margin calls even at the height of the market stress had a very small impact on liquidity, were not procyclical and did not have a destabilizing effect on market stakeholders.

CCPs themselves also did not require any extra-ordinary intervention or public support measures, and existing rules and regulations for CCPs did not require modification.

Thus, we consider that a focus on the recalibration of CCP IM models as a means to reduce the impact on liquidity in the financial system is misplaced.

Question 9: Do you agree with the proposals in the report to evaluate the degree and nature of responsiveness of non-centrally cleared IM models to market stresses, remediation of IM shortfalls and the level of disclosure of non-centrally cleared IM model performance? Should any other aspects of non-centrally cleared IM models be included in this initiative?

CCP12 agrees that information relating to the performance of non-centrally cleared markets, as well as intermediary to client relationship in centrally cleared markets, during the Covid-related period remains very limited. Improved data on the scale and nature of VM and IM flows in both of these areas is of essential value to market stakeholders, including to inform data-driven policy. Data relating to margin changes and margin parameters for non-centrally cleared markets is not readily available, particularly with respect to discretionary IM calls (e.g., data on "netted margin" flows). Also, the collapse of Archegos Capital raises a number of questions, the response to which could benefit from additional data.[40] Not only is there is an urgent need for further analysis and evaluation of non-centrally cleared IM models and the degree and nature of their responsiveness to market stresses, but there is also an urgent need to increase transparency and enhance disclosures relating to credit exposures, margin changes, margin calls and margin model parameters.

Question 10: Are there any other important aspects not covered by the report which should also be prioritised for further international work or policy development?

No CCP12 comment.

[40] Credit Suisse, Press Release, Credit Suisse Group publishes the report of the independent external investigation into Archegos Capital Management (Jul. 2021), available at Link

II. Appendix – CCP12 Concept Paper and Proposal for Market Participant Public Quantitative Disclosures ("MPPQD")

MPPQD *Intended to be disclosed publicly via regular posting on a Clearing Member's website*	
Motivation and Objectives	Risk management relies on information and transparency. This is especially the case for systemic risk, and risk transfer markets, as actors must be able to judge their activities within the context of others. While the transparency of central cleared markets is far greater than those of uncleared markets, it can still be further bolstered. Currently, although there is certain public information available, there is much to be desired so as to have a high-level understanding of the credit and liquidity risks across key markets, particularly as it relates to clearing members, given their important role as intermediaries. This concept paper outlines a solution to this: A Market Participant Public Quantitative Disclosure ("MPPQD"). These would be created and made publicly available by clearing members (e.g., entities that face a CCP directly to provide clearing for their own and/or their customers' activity) and give high-level information for their firm. This would complement regulatory statistics (e.g., BIS statistics) and those available from CCPs (e.g., CCP12 PQDs).
Method and Frequency of Publication	• MPPQD published on a quarterly basis at quarter-end with one quarter lag • MPPQD publication at the legal entity level for the entity that is registered as a Clearing Member/market participant to avail direct services at a CCP • Single CSV file
Entities in-scope	• Clearing Members
Market Participant Identifier	• Legal Entity Identifier ("LEI") • Country of Domicile • Primary Regulator

Market Participant Disclosures for Cleared Markets		
Disclosure Type	*Suggested Frequency*	*Details of disclosure(s)*

Numbers and Types of Connections	**At Quarter-End**	• Number and Name of CCPs the Clearing Member is connected to, including by clearing service/Jurisdiction:
		  ○ As a General Clearing Member (i.e., provide client clearing services)
		  ○ As a Direct Clearing Member
		  ○ As other (to be specified in the qualitative comments)
		• Number of clients connected directly to Clearing Member by jurisdiction:
		  ○ Domestic
		  ○ Non-Domestic
		• Number of clients connected directly to Clearing Member, if applicable:
		  ○ Heightened Risk Profile
		  ○ Non-Heightened Risk Profile

Risk – Initial Margin, Variation Margin, and Default Fund	**At Quarter-End unless otherwise specified**	**For a Clearing Member's own and client clearing activity, reported separately for own (e.g., house) and client activity:** • Total Initial Margin deposited across all CCPs, split by collateral type • Total Initial Margin required across all CCPs, split by gross and net customer margining, if applicable • % of total Initial Margin required by Top 1, Top 2, and Top 3 CCPs (depending on number of connections), as a peak and average over the Quarter – determined based Initial Margin required per CCP • Maximum and average aggregate Initial Margin call on any given business day at any given CCP over the Quarter • Maximum and average aggregate Initial Margin call on any given business day across all CCPs over the Quarter • Maximum and average total Variation Margin paid on any given business day at any given CCP over the Quarter • Maximum and average total Variation Margin paid on any given business day across all CCPs over the Quarter • Total Default Fund deposited across all CCPs, split by collateral type • Total Default Fund required across all CCPs • % of total Default Fund required by Top 1, Top 2, and Top 3 CCPs (depending on number of connections) – determined based Default Fund required per CCP • Cash ratio of non-variation collateral **For a Clearing Members' client clearing activity – i.e., payments between the clearing member and its clients:** • Total Initial Margin deposited by clients to the Clearing Member, split by collateral type • Total Initial Margin required from clients by the Clearing Member, split by gross and net margining, if applicable • Maximum and average aggregate Initial Margin calls across all clients (aggregate)s on any given business day over the Quarter • Maximum and average aggregate Initial Margin calls for a given client on any given business day over the Quarter • Maximum and average total Variation Margin collected across all clients (aggregate) on any given business day over the Quarter

		• Maximum and average total Variation Margin collected from a given client on any given business day over the Quarter • % of Open Position and Initial Margin required for the Top 10 Clients and Top 5 Clients (depending on number of connections), as a peak and average over the Quarter • Number of client default(s) over the Quarter and the related amount of the loss caused as a result of default in excess of Initial Margin for each default across the Quarter **Additional Risk Disclosures:** • Qualitative description of the clearing member's margin model (e.g., key parameters, like MPOR)
Liquidity	**At Quarter-End or when available**	**Disclosed at the Clearing Member's legal entity level:** • Capital held • Sources of liquidity, including credit lines (e.g., from parent or third-party), split by currency • Liquidity Coverage Ratio total, if applicable • Liquidity Coverage Ratio allocated, if applicable • High Quality Liquid Asset (link to annual report), if applicable • Net Stable Funding Ratio (link to annual report), if applicable
Stress Testing and Back Testing	**For the Quarter**	**For a Clearing Member's own and client clearing activity:** • Peak and average actual Initial Margin breach over the Quarter • Number actual Initial Margin breaches and achieved coverage over the Quarter • Peak and average Stress Loss over Initial Margin over the Quarter
Operational Resilience	**For the Quarter**	• Targeted availability for core systems for cleared activity; by system/service type (e.g., ability to execute trades, ability to risk manage) • Actual availability for core systems for cleared activity; by system/service type • Number of hours with core systems outage for cleared activity; by system/service type
Flow, Volume, Business Activities	**At Quarter-End**	• Average Daily Notional for OTC and Average Daily Volume for ETD by asset class • Notional (OTC) / Open Interest (ETD) outstanding by asset class • Repo nominal outstanding
Annual Financial Information	**Publish at the First Quarter Disclosure after Year End**	**Disclosed at the Clearing Member's legal entity level – may be reference to public financial statements:** • Total Assets • Total Liabilities • Total Equity • Total Revenue • Total Expenses • Total Operating Income/Profit • Total PnL – e.g., fees, bid/ask spreads, market moves, interest

Market Participant Disclosures for uncleared Markets		
Disclosure Type	*Suggested Frequency*	*Details of disclosure(s)*
Numbers and Types of Connections	**At Quarter-End**	• Number of Master Agreements, including number of them under regulatory UMR • Number of other Credit Support Annexes • Number counterparties faced with 2-way Initial Margin + Variation Margin • Number counterparties faced with 2-way Initial Margin • Number counterparties faced with 2-way Variation Margin

Risk Metrics	**At Quarter-End unless otherwise specified**	• Maximum and average Initial Margin paid and received across all counterparties over the Quarter
		• Maximum and average Initial Margin paid and received on any given business day to any given counterparty over the Quarter
		• Maximum and average total Variation Margin paid and received on any given business across all counterparties day over the Quarter
		• Maximum and average Variation Margin paid and received on any given business day to any given counterparty over the Quarter
		• Maximum and average Gross Credit Exposure over the Quarter
		• Maximum and average Gross Market Value over the Quarter
		• Maximum and average risk metrics of the Quarter:
		  ○ Sensitivities to basis point move for primary factors (e.g., DV01)
		  ○ VaR
		  ○ Backtesting results – i.e., peak and average amount of actual margin breach over the Quarter, number of actual margin breaches and achieved coverage over the Quarter, targeted confidence level for backtesting
		• Qualitative description of margin model (e.g., key parameters, like MPOR)
		• Number of counterparty default(s) over the Quarter and the related amount of the loss caused as a result of default in excess of Initial Margin for each default across the Quarter

Liquidity	**At Quarter-End or when available**	**Disclosed at the Clearing Member's legal entity level:** • Capital held • Sources of Liquidity, including credit lines (e.g., from parent or third-party), split by currency • Liquidity Coverage Ratio total, if applicable • Liquidity Coverage Ratio allocated, if applicable • High Quality Liquid Asset (link to annual report), if applicable • Net Stable Funding Ratio (link to annual report), if applicable

Operational Resilience	**For the Quarter**	• Targeted availability for core systems for uncleared activity; by system/service type (e.g., ability to execute trades, ability to risk manage) • Actual availability for core systems for uncleared activity; by system/service type • Number of hours with core systems outage for uncleared activity; by system/service type
Flow, Volume, Business Activities	**At Quarter-End**	• Average Daily Notional Volume by asset class • Notional outstanding by asset class • Repo nominal outstanding
Annual Financial Information	**Publish at the First Quarter Disclosure after Year End**	**Disclosed at the Clearing Member's legal entity level – may be reference to public financial statements:** • Total Assets • Total Liabilities • Total Equity • Total Revenue • Total Expenses • Total Operating Income/Profit • Total PnL – e.g., fees, bid/ask spreads, market moves, interest

III. About CCP12

CCP12 is the global association for CCPs, representing 41 members who operate around 60 individual central counterparties (CCPs) globally across the Americas, EMEA and the Asia-Pacific region.

CCP12 promotes 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@ccp12.org or through our website by visiting www.ccp12.org.

IV. CCP12 Members