

Clearing and Collateral Management Roundtable

Draft Agenda



Brussels - November 27th, 2015

The new Clearing and Collateral Management Roundtable, facilitated by Risk Dynamics, is designed to enable the exchange of views and experience between peers in clearing (notably CCPs) and their clients on the impact of central clearing on risk and collateral management practices. Main risks refer to market, counterparty, liquidity and collateral risks.

Central repositories and CCPs were created at the initiative of financial market regulators to reduce systemic counterparty risk by central reporting and clearing of derivatives transactions. However, in this process, systemic risk has been concentrated in CCPs by transferring bilateral risks into a handful of qualified central clearing counterparties. Risk and Collateral Management practices were also affected in all financial institutions due to this structural market change. As regulators increase their focus on concentration risk created by central clearing, a number of questions have been raised, as the consequences of a CCP failure might be very severe for any participant and the market at large. How do CCPs manage collateral deposits? If a major participant at the CCP is entering into default, how quickly does the collateral come under threat? Etc

This roundtable will allow reviewing these questions and other significant issues with the objective of assessing the multiple effects of managing derivatives products through CCPs.

Time

Item

09:00-09:30 > **Welcoming address**

09:30-10:15 > **Brainstorm around the impact of expected regulatory changes**

- What are the expected changes in EMIR clearing regulations for derivatives?
- Will we see new regulation accounting for CCP CVA (e.g margins on non-cleared derivatives)?
- What is the status of regulations w.r.t. clearing of securities finance transactions (SFTs)/ repos? What are the expected constraints and opportunities?

Introduced by Rafael Plata – EACH

Followed by discussion with roundtable participants

10:15-10:45 ***Morning refreshments***

10:45-11:45 > **Clarify the impact of EMIR on collateral management**

- What are the exact consequences of EMIR on the liquidity management?
- How does it impact collateral management function?
- What is the impact on other regulatory ratios for banks (Short term liquidity ratio (LCR), Leverage ratio)?
- How does CCPs manage collateral deposit?
- How is the collateral managed in case of default?
- What are the exact costs related to this new collateral?

11:45-12:45 > Clarify the CM default risk management in derivatives clearing operations

- Which risks are CM exposed to? (CP, liquidity, operational, etc)
- How do you think default of a large CM will occur?
- What are the differences between CCPs and client point of view?
- Should exposure be diversified across various CMs to access CCP? What is the cost of this? Does it depend on the type of account (segregated or omnibus account)?
- What are the implications of the account type in case of default from either the client, or another client of the Clearing member, or the clearing member, or the CCP?

12:45-14:00 Lunch

14:00-15:00 > Clarify the CCP default risk management in derivatives clearing operations

- Which risks are CCP exposed to? (CP, liquidity, operational, etc)
- How do CCPs manage their own risks?
- What happens to the clients (of CM or direct clients of CCPs) in case of CCP default?
- Should CCP risk be diversified?
- How should we assess and manage counterparty risk w.r.t. CCPs?

Introduced by Udesch Jha – CME Clearing Europe
Followed by discussion with roundtable participants

15:00-15:30 Afternoon refreshments

15:30-16:30 > CCP services for small market participants

- What solutions are being developed proportionate to CCP services for small market participants?
- What would – for instance - be the impact of a trade mutualization through cooperatives (on cost, on counterparty default risk, on operational risk, etc)?

Introduced by Florence Besnier – CACEIS
Followed by discussion with roundtable participants

16:30-17:00 > Wrap-Up and Closing

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