

## **Central Counterparty Clearing Data Collection Recommendation**

### **Improving transparency of central clearing operations and practices**

#### **Background**

Legislation and new regulations following the financial crisis have expanded requirements for central clearing of derivatives transactions through Central Counterparty Clearinghouses (CCPs). While reducing uncertainties concerning bilateral counterparty risks and serving as important market utilities, these policy measures have concentrated risks within CCPs. These risks may be further compounded by the capacity for CCPs to clear multiple products, clear cross-border, and cross margin different products.

Data available on CCPs to assess these risks vary in consistency and quality. Increased transparency and data quality are necessary to improve the assessment of risks by clearing members, other market participants, and non-CCP regulators. Greater transparency in the operations and interconnectedness of CCPs can instill greater market discipline by allowing clearing members to better grasp how much risk they may be facing. It can also facilitate a clearer understanding of risks by regulators, including a greater understanding of risks arising from non-U.S. domiciled CCPs.

Despite the benefits of enhanced transparency, globally CCP disclosure has remained limited. The OFR's Financial Research Advisory Committee's prior recommendation in February 2015 entitled "Central Counterparty Clearing: Issues to Consider" outlined the diverse range of CCP policies, the degree of market interconnectedness facilitated by CCPs, and the material gap of the lack of a centralized repository for CCP data. The committee noted the degree of policy heterogeneity and variance in data quality internationally imposed significant due diligence costs on market participants, while also impeding the ability of relevant authorities to adequately assess CCP risks.

Though there have been some attempts to capture relevant information on CCP operations globally—most notably the BIS' Redbook collection<sup>1</sup>—the extant collections have been limited in scope. These collections have not provided data suitable for fully assessing the systemic exposure of CCPs nor have these collections facilitated the comparison of idiosyncratic risks arising from individual CCPs' products, governance, and clearing policies. In order to support market participant and regulator decision making and assist in financial stability research, the committee recommends that a data collection on CCP activities should be performed.

#### **Recommendation**

Given the importance of central clearing for the financial system, and the relative lack of available data on CCPs, the Financial Research Advisory Committee recommends that the OFR engage relevant national and international authorities to undertake an effort to improve the

---

<sup>1</sup> [http://www.bis.org/list/cpmi/tid\\_57/index.htm](http://www.bis.org/list/cpmi/tid_57/index.htm)

quality of data available to evaluate CCP operations, starting with U.S. domiciled CCPs. The Committee recommends that the OFR design any data collection and research efforts so that:

- (1) The necessary level of detail, nature of data fields, and scope of collection is adequate to assess the potential systemic importance and risks associated with CCPs;
- (2) The effort reviews, builds upon, and is at least comparable with existing data collections related to CCPs, both domestically and internationally, undertaken by government entities, the industry, or academia (including, for example, the prospective CPMI-IOSCO *Public Quantitative Disclosure Framework*<sup>2</sup> or the New York Federal Reserve Bank's Payments and Risk Committee *Recommendations for Supporting Clearing Member Due Diligence of Central Counterparties*<sup>3</sup>); and
- (3) Utilizes any obtained data to establish best practices for CCP governance and operations in the areas relevant to the stability of the financial system.

For this effort, the Committee recommends that the OFR collaborate with relevant authorities to gather the data characteristics enumerated in Appendix A on a monthly or quarterly basis. To the extent possible, any data collected in this effort should be made publicly available to better inform clearing member participants, other private sector participants, and authorities.

---

<sup>2</sup> <http://www.bis.org/cpmi/publ/d125.htm>

<sup>3</sup> [http://www.ny.frb.org/prc/files/report\\_130205.pdf](http://www.ny.frb.org/prc/files/report_130205.pdf)

## Appendix A

The following list includes data elements which, in the Committee's estimation, would materially contribute to the assessment of the systemic importance and riskiness of CCPs. Many CCPs run multiple clearing services (CS), each identified by a separate default fund and/or default management process. Data should be collected on a CS basis.

<b>Clearing Service Identification</b>	
CS Name	Name of the Clearing Service
Entity Name	Legal name of the entity (CCP or Clearinghouse)
Entity ID	Entity identifier (e.g. LEI, Tax ID, etc.)
Entity Class	Whether the entity is a CCP or Clearing House
Entity Domicile	Domiciliary country for the entity

<b>Ownership Structure</b>	
Entity Ownership Structure	Is the entity publicly or privately held?
Entity Business Purpose	Is the entity a utility or for-profit organization?
Return on Equity	Return on equity earned by the entity
Owner(s)	Legal names of significant holding/managing companies
Owner ID	Holdco/manager identifiers (e.g. LEI, Tax ID, etc.)
Owner Ownership Structure	Are the holdco/managers publicly or privately held?
Owner Business Purpose	Are the holdco/managers utilities or for-profit organizations?
Relationship with Exchange(s)	Relationship with exchange(s) (e.g. independent, subsidiary, common parent, etc.)
Relationship with CSD(s)	Relationship with central securities depositories (e.g. independent, subsidiary, common parent, etc.)

<b>Governance and Oversight</b>	
Committees	List of board committees that govern the entity / each committee's principal duties
Number of Independent Directors	Number of directors who sit on the entity's board of directors who do not have a pecuniary relationship with the entity
Committee Meeting Frequency	Frequency (e.g. quarterly) of the entity's board committee meetings
Regulator(s)	Regulator(s) with an oversight role

<b>Markets / Market Position</b>	
Markets	Countries/markets the CS is operated in
Product Class	Product classes cleared (e.g. foreign exchange, commodity futures, fixed income etc.)
Product Detail	Product types cleared (e.g., Treasuries, swaptions, etc)
Currencies	By product detail: currencies cleared
Venues	By product detail: exchanges/venues the entity clears/operates in
Market Share	By product detail: clearing market share
Number of Competitors	By product detail: number of competitors

<b>Resources</b>	
Total Initial Margin Funds	Average total nominal funds available from initial margin deposits
Total Guaranty Funds	Average total nominal funds available from guaranty fund deposits
Entity Capital Entry	At what point in the loss waterfall is the entity's capital utilized?
Entity Capital Amount	Average total nominal funds available from entity's capital
Parental Guarantee or Commitment	Does the entity hold a parental guarantee or commitment backstopping its solvency?
Central Bank Access	Does the entity have access to funding from the central bank?
Financing Facilities: Facility Size	On a treaty by treaty basis: What is the nominal value of funds available via financing?
Financing Facilities: Relationship	On a treaty by treaty basis: Is the financing provided by a member or an independent commercial entity?
Financing Facilities: Facility type	On a treaty by treaty basis: What is the nature of the facility (e.g. repo, member IM, revolver, etc.)?

<b>Collateral Structure</b>	
IM Eligible Collateral	What types of securities serve as eligible collateral for initial margin deposits?
GF Eligible Collateral	What types of securities serve as eligible collateral for guarantee fund deposits?
Title vs Pledge	Is collateral provided via a transfer of full ownership or pledged basis?
Account structure	Is collateral held in net or gross accounts?
Segregation rules	Are collateral accounts segregated or omnibus accounts? What are the rules governing segregated accounts?
Rehypothecation rights	What rehypothecation rights exist

<b>Depository/Custodial Relationships</b>	
Securities Settlement Agent	By product detail: securities settlement agent/CSD legal name
Sec Settle Agent ID	By product detail: securities settlement agent/CSD identifier (e.g. LEI, Tax ID, etc.)
Sec Settle Agent Domicile	By product detail: securities settlement agent/CSD domiciliary country
Cash Settlement Agent	By product detail: cash settlement agent legal name
Cash Settle Agent ID	By product detail: cash settlement agent identifier (e.g. LEI, Tax ID, etc.)
Cash Settle Agent Domicile	By product detail: cash settlement agent domiciliary country

<b>Initial Margin &amp; Guaranty Fund Sizing</b>	
Concentration add-ons	Methodology for calculating concentration add-ons, if any
Concentration add-on value	Average total value of concentration add-ons
Liquidity add-ons	Methodology for calculating liquidity add-ons, if any
Liquidity add-on value	Average total value of liquidity add-ons
Haircuts	How are collateral haircuts set?
Margin offsets	What margin offsets are permitted?
Cross margining	Is cross margining permitted? If so, on which products?

<b>Settlement</b>	
Settlement Methodology	By product detail: degree of entity's connection with the settlement system: is it direct or indirect via another entity (e.g. a bank)?
Settlement Entry	By product detail: at what point in the life cycle of a trade does the entity enter the transaction (e.g. initiation, novation, matching/margining)?
Margin Call Frequency	By product detail: do margin calls occur on a daily or intraday basis?
Margin Call Timing	By product detail: when are margin calls due (e.g. T0, T1, etc.)?
Margin Call Trigger	By product detail: are margin calls routine or event-driven (e.g. price or size driven)?

<b>Investments</b>	
Investment policies	Policies governing investment of collateral (e.g. rating criteria/counterparties, tenor profile, country, concentration limits, etc.)
Account owner	Who is considered the beneficial owner of an account?

<b>Stress Testing/IM &amp; GF Calibration</b>	
Stress test scenarios	Number of stress scenarios considered
Model types	What types of stress models are considered (e.g. historical simulation, SPAN, etc.)
Example Stress Scenarios	Provide a comprehensive set of stress scenarios (hypothetical and historical) that are employed to ensure adequacy of CCP resources, including specific market shocks that are attached to each of them.
Correlation / basis risk	Methodology for assessing correlation risk
Cover Number	Number of large, undercapitalized members tested against (e.g. cover 1 vs cover 2)
Funded vs unfunded	Is the guaranty fund funded or unfunded?
Risk measure/confidence	What confidence level/methodology is used to evaluate necessary capitalization levels
Lookback period	Lookback period for historical risk assessments
Defaulted portfolios holding period	Assumed holding period for defaulted portfolios

<b>Membership</b>	
Number of members	Number of members by member class (e.g. bank, fund, corporate, other financial institutions, central bank, etc.)
Under collateralized members	Count of under collateralized members
Member concentration	How many members make up the top 75% of stress losses

<b>Operational</b>	
Number of Transactions	By product detail: total number of transactions
Transaction Value	By product detail: total value of transactions
Cash Payments	By product detail: average value of cash payments per transaction in reporting period
Cross Participating Entities	By product detail: entities with which cross participation agreements exist
Cross-Transaction Number	By product detail & on a treaty by treaty basis: Number of transactions cleared through cross-participation
Cross-Transaction Value	By product detail & on a treaty by treaty basis: Total value of transactions matched by entity through cross-participating systems

<b>Recovery Tools</b>	
Loss Allocation	Tool(s) to allocate losses beyond default resources
Liquidity Shortfall	Tool(s) to access liquidity beyond liquidity resources
Re-Balancing Book	Tool(s) to re-establish a balanced book on a failure of the default management process

<b>Default Exposures</b>	
Top five member uncovered stress losses	For each member find the worst uncovered stress loss under all the stress scenarios, taking into account the member's collateral posted and report the top five
Top five pairs of members uncovered stress losses	For each pair of members find the worst uncovered stress loss under all the stress scenarios, taking into account each member's collateral posted, and report the top five