



## ACSDA Allies Report

### CCP12

Gerardo Gamboa, CEO Indeval  
Cartagena, Colombia



March, 2012.



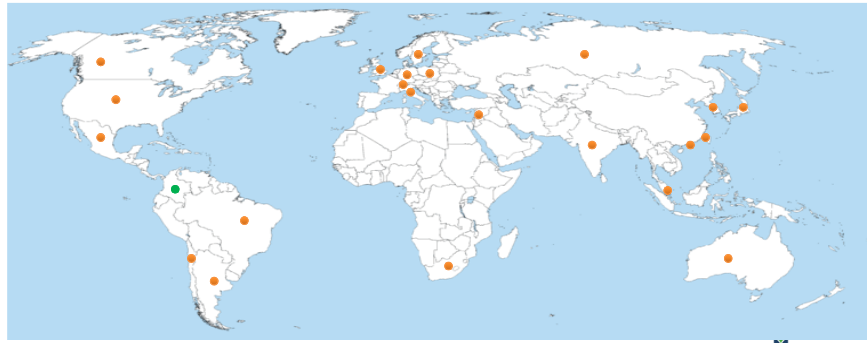
#### About CCP12

- Work together on issues of interest to the industry in order to minimize systemic risk and increase the effectiveness and efficiency of international markets.
- Promotes the development and adoption of better risk management practices, as well as industry consolidation and regulatory harmonization.
- Its members meet 2 times a year and participate in different forums. Collaborate with regulators, international organizations and experts.
- Government: 1 President, 2 Vice Presidents, Executive Committee and working groups (default procedures, dissemination of the value proposition of CCPs)



## About CCP12

- Founded in 2001 and it has around of 30 CCPs for more than 25 countries worldwide.
- ACSDACCP's member by country : CDS (Canada), DTCC (EUA), OCC (EUA), CCV (Mex), Merval (Argentina), CCLV (Chile). Coming soon: Risk Camera (Colombia)



## Public Meetings Participation




March, 2012.



### CPSS-IOSCO Principles for FMI


<b>General Organization</b>	1. Legal basis 2. Good Government 3. Framework for integrated risk management	<b>Operational Risk</b>	15. General Business Risk 16. Custody & Investment Risk 17. Operational Risk
<b>Credit &amp; Liquidity Risk</b>	4. Credit Risk 5. Guarantees 6. Margins 7. Liquidity risk	<b>Access</b>	18. Access & participation requirements 19. Participatory mechanisms at various levels 20. Links with others FMI
<b>Settlement</b>	8. Final settlement 9. Monetary settlement 10. Physical deliveries	<b>Efficiency</b>	21. Efficiency & effectiveness 22. Policies & Procedures communication 1
<b>Securities Deposit &amp; Settlement systems</b>	11. CSD's 12. Settlement systems with dvp's models	<b>Transparency</b>	23. Disclosure of major rules and procedures 24. Market Data Disclosure
<b>Defaults management</b>	13. Participants Failure 14. Segregation & mobility		



### CPSS-IOSCO Principles for FMI

<b>General Organization</b>	1. Legal basis 2. Good Government 3. Framework for integrated risk management	<b>Operational Risk</b>	15. General Business Risk 16. Custody & Investment Risk 17. Operational Risk
<b>Credit &amp; Liquidity Risk</b>	4. Credit Risk 5. Guarantees 6. Margins 7. Liquidity risk	<b>Access</b>	18. Access & participation requirements 19. Participatory mechanisms at various levels 20. Links with others FMI
<b>Settlement</b>	8. Final settlement 9. Monetary settlement 10. Physical deliveries	<b>Efficiency</b>	21. Efficiency & effectiveness 22. Policies & Procedures communication 1
<b>Securities Deposit &amp; Settlement systems</b>	11. CSD's 12. Settlement systems with dvp's models	<b>Transparency</b>	23. Disclosure of major rules and procedures 24. Market Data Disclosure
<b>Defaults management</b>	13. Participants Failure 14. Segregation & mobility		


Management the legal, credit, liquidity and operational risk



### CPSS-IOSCO Principles for FMI

General Organization	1. Legal basis 2. Good Government 3. Framework for integrated management		
<b>Credit &amp; Liquidity Risk</b>	4. <b>Credit Risk</b> 5. <b>Guarantees</b> 6. <b>Margins</b> 7. <b>Liquidity risk</b>	<b>Efficiency</b>	19. Participatory mechanisms at various levels 20. Links with others FMI
Settlement	8. Final settlement 9. Monetary settlement 10. Physical deliveries	<b>Transparency</b>	21. Efficiency & effectiveness 22. Policies & Procedures communication 1
Securities Transacted Settlement Systems	11. CSD's 12. Settlement systems with dvp's models	<b>Transparency</b>	23. Disclosure of major rules and procedures 24. Market Data Disclosure
Default management	13. Participants Failure 14. Segregation & mobility		


- Maintain sufficient financial resources to cover its exposure to each participant (range)  
 - Additional financial resources to cover a wide range of extreme scenarios. Failure of one / two participant (s) and its subsidiaries.



### CPSS-IOSCO Principles for FMI

General Organization	1. Legal basis 2. Good Government 3. Framework for integrated management		
<b>Credit &amp; Liquidity Risk</b>	4. <b>Credit Risk</b> 5. <b>Guarantees</b> 6. <b>Margins</b> 7. <b>Liquidity risk</b>	<b>Transparency</b>	19. Participatory mechanisms at various levels 20. Links with others FMI
Settlement	8. Final settlement 9. Monetary settlement 10. Physical deliveries	<b>Efficiency</b>	21. Efficiency & effectiveness 22. Policies & Procedures communication 1
Securities Transacted Settlement Systems	11. CSD's 12. Settlement systems with dvp's models	<b>Transparency</b>	23. Disclosure of major rules and procedures 24. Market Data Disclosure
Default management	13. Participants Failure 14. Segregation & mobility		


- Guarantees having a low credit risk.  
 - Concentration limits and haircuts



### CPSS-IOSCO Principles for FMI

General Organization	1. Legal basis 2. Good Government 3. Framework for integrated risk management	Operational Risk	15. General Business Risk 16. Custody & Investment Risk 17. Operational Risk
Credit & Liquidity Risk	4. Credit Risk 5. Guarantees 6. Margins 7. Liquidity risk		18. Access & participation requirements 19. Collateral management 20. Risk management
Settlement	8. Final settlement 9. Monetary settlement 10. Physical deliveries	Efficiency	21. Efficiency & effectiveness 22. Policies & Procedures 23. Communication
Securities Depository & Settlement Systems	11. CSD's 12. Settlement systems with dvp's models	Transparency	23. Disclosure of major rules and procedures 24. Market Data Disclosure
Default management	13. Participants Failure 14. Segregation & mobility		


- System for effective margins reviewed regularly and based on robust methodologies



### CPSS-IOSCO Principles for FMI

General Organization	1. Legal basis 2. Good Government 3. Framework for integrated risk management	Operational Risk	15. General Business Risk 16. Custody & Investment Risk 17. Operational Risk
Credit & Liquidity Risk	4. Credit Risk 5. Guarantees 6. Margins 7. Liquidity risk		18. Access & participation requirements 19. Collateral management 20. Risk management
Settlement	8. Final settlement 9. Monetary settlement 10. Physical deliveries	Efficiency	21. Efficiency & effectiveness 22. Policies & Procedures 23. Communication
Securities Depository & Settlement Systems	11. CSD's 12. Settlement systems with dvp's models	Transparency	23. Disclosure of major rules and procedures 24. Market Data Disclosure
Default management	13. Participants Failure 14. Segregation & mobility		


- Sufficient liquid assets to make same day settlement.  
- Failure scenarios for one / two participant (s) and its subsidiaries



### CPSS-IOSCO Principles for FMI

General Organization	1. Legal basis 2. Good Government 3. Framework for integrated risk management	Operational Risk	15. General Business Risk 16. Custody & Investment Risk 17. Operational Risk
Credit & Liquidity Risk	4. Credit Risk 5. Guarantees 6. Margins 7. Liquidity risk	Systemic Risk	18. Access & participation requirements various
<b>Settlement</b>	<b>8. Final settlement</b> <b>9. Monetary settlement</b> <b>10. Physical deliveries</b>	Efficiency	21. Efficiency & effectiveness 22. Policies & Procedures communication 1
Securities Financial Settlement Systems	11. CSD's 12. Settlement systems with dvp's models	Transparency	23. Disclosure of major rules and procedures 24. Market Data Disclosure
Default management	13. Participants Failure 14. Segregation & mobility		


- FMI should provide definitive settlement services preferably intraday or real-time.



### CPSS-IOSCO Principles for FMI

General Organization	1. Legal basis 2. Good Government 3. Framework for integrated risk management	Operational Risk	15. General Business Risk 16. Custody & Investment Risk 17. Operational Risk
Credit & Liquidity Risk	4. Credit Risk 5. Guarantees 6. Margins 7. Liquidity risk	Systemic Risk	18. Access & participation requirements various
<b>Settlement</b>	<b>8. Final settlement</b> <b>9. Monetary settlement</b> <b>10. Physical deliveries</b>	Efficiency	21. Efficiency & effectiveness 22. Policies & Procedures communication 1
Securities Financial Settlement Systems	11. CSD's 12. Settlement systems with dvp's models	Transparency	23. Disclosure of major rules and procedures 24. Market Data Disclosure
Default management	13. Participants Failure 14. Segregation & mobility		


- Central bank Money settlements whenever possible.  
- Minimize and strictly control credit risk and liquidity arising from the use of money from commercial Banks



### CPSS-IOSCO Principles for FMI

General Organization	1. Legal basis 2. Good Government 3. Framework for integrated risk management	Operational Risk	15. General Business Risk 16. Custody & Investment Risk 17. Operational Risk
Credit & Liquidity Risk	4. Credit Risk 5. Guarantees 6. Margins 7. Liquidity risk	Access	18. Access & participation requirements 19. Participatory mechanisms at various levels 20. Links with others FMI
Settlement	<b>8. Final settlement</b> <b>9. Monetary settlement</b> <b>10. Physical deliveries</b>		
Securities Deposit & Settlement systems	11. CSD's 12. Settlement systems with dvp's models	Transparency	23. Disclosure of major rules and procedures 24. Market Data Disclosure
Systemic management	13. Participants Failure 14. Segregation & mobility		


-Identify, control and manage the risks associated with physical deliveries



### CPSS-IOSCO Principles for FMI

General Organization	1. Legal basis 2. Good Government 3. Framework for integrated risk management	Operational Risk	15. General Business Risk 16. Custody & Investment Risk 17. Operational Risk
Credit & Liquidity Risk	4. Credit Risk 5. Guarantees 6. Margins 7. Liquidity risk	Access	18. Access & participation requirements 19. Participatory mechanisms at various levels
Settlement	8. Final settlement 9. Monetary settlement 10. Physical deliveries		
Securities Deposit & Settlement systems	<b>11. CSD's</b> <b>12. Settlement systems with dvp's models</b>		
Systemic management	13. Participants Failure 14. Segregation & mobility		24. Market Data Disclosure


-The CSD must have rules and procedures to help ensure the integrity of the issues.  
- Minimize and manage the risks associated with the preservation and transfer.



### CPSS-IOSCO Principles for FMI

General Organization	1. Legal basis 2. Good Government 3. Framework for integrated risk management	Operational Risk	15. General Business Risk 16. Custody & Investment Risk 17. Operational Risk
Credit & Collateral	4. Credit Risk 5. Guarantees 6. Margins 7. Liquidity risk	Access	18. Access & participation requirements 19. Participatory mechanisms at various levels 20. Links with others FMI
Settlement	8. Final settlement 9. Monetary settlement 10. Physical deliveries	Efficiency	21. Efficiency & effectiveness 22. Policies & Procedures communication 1
Central Bank Depository & Settlement Systems	11. CSD's 12. Settlement systems with dvp's models	Transparency	23. Disclosure of major rules and
Defaults management	<b>13. Participants Failure</b> <b>14. Segregation &amp; mobility</b>		


-Effective rules and procedures and clearly defined.  
-Take action to contain losses and continue cover its obligations.



### CPSS-IOSCO Principles for FMI

General Organization	1. Legal basis 2. Good Government 3. Framework for integrated risk management	Operational Risk	15. General Business Risk 16. Custody & Investment Risk 17. Operational Risk
Credit & Collateral	4. Credit Risk 5. Guarantees 6. Margins 7. Liquidity risk	Access	18. Access & participation requirements 19. Participatory mechanisms at various levels 20. Links with others FMI
Settlement	8. Final settlement 9. Monetary settlement 10. Physical deliveries	Efficiency	21. Efficiency & effectiveness 22. Policies & Procedures communication 1
Central Bank Depository & Settlement Systems	11. CSD's 12. Settlement systems with dvp's models	Transparency	23. Disclosure of major rules and
Defaults management	<b>13. Participants Failure</b> <b>14. Segregation &amp; mobility</b>		


-Rules and procedures for the segregation and mobility of positions and collateral belonging to clients.








CPSS-IOSCO Principles for FMI	
<p>-Identify all plausible sources of operational risk, both internally and externally, and minimize their impact.</p> <p>-Systems must have a high degree of safety and reliability.</p> <p>-Business Continuity Plans</p>	<p><b>Operational Risk</b></p> <p>15. General Business Risk 16. Custody &amp; Investment Risk 17. Operational Risk</p>
<p><b>Settlement</b></p> <p>8. Final settlement 9. Monetary settlement 10. Physical deliveries</p>	<p><b>Access</b></p> <p>18. Access &amp; participation requirements 19. Participatory mechanisms at various levels 20. Links with others FMI</p>
<p><b>Operational Resilience</b></p> <p>11. CSD's 12. Settlement systems with dvp's models</p>	<p><b>Efficiency</b></p> <p>21. Efficiency &amp; effectiveness 22. Policies &amp; Procedures communication 1</p>
<p><b>Operational Resilience</b></p> <p>13. Participants Failure 14. Segregation &amp; mobility</p>	<p><b>Transparency</b></p> <p>23. Disclosure of major rules and procedures 24. Market Data Disclosure</p>



CPSS-IOSCO Principles for FMI
<p><b>Key elements of CCP12's Positioning</b></p> <ul style="list-style-type: none"> <li>• 25 recommendations in aspects where members converged. The main ones were : <ul style="list-style-type: none"> <li>– The <b>principles</b> must be seen as <b>minimum standards</b> and must specify <b>where local regulators</b> may <b>establish additional standards</b>.</li> <li>– It requires a deeper <b>analysis of impact</b>, as well as reasoning in additional standards.</li> <li>– Results of <b>stresstesting</b> under <b>very extreme theoretical scenarios</b> are for <b>informational purposes only</b> and <b>not for additional resources</b>. The stresstesting must be <b>consistent</b> with the <b>market structure</b> (feasible macroeconomic scenario).</li> </ul> </li> </ul>



## CPSS-IOSCO Principles for FMI

- **CCP12** is open to collaborate with CPSS-IOSCO in **defining** the stresstesting **standards**.
- Independent **mandatory validation doesn't work** by the level of specialization of the FMI and lack of uniformity.
- CCPs must have **access** to the **Central Bank payment systems**.
- Do not restrict participation in Risk Committees to Board members only.
- The FMI must promote risk managing practices among participants, but can not perform them in their place.
- In **events of defaulting**, **rescheduling the settlement** should be possible.
- **Segregation** and **portability of commercial, legal and technological impact** must be **evaluated**.
- General Business Risk is not always clear enough



## CPSS-IOSCO Principles for FMI

### Key elements of CCP12 position

- 7 topics where there were differences. The main ones were:
  - **Stresstesting Severity**. Default of one/two with the greatest exposure and its affiliates. **Most supported one**. The CCPs showed strength in the crisis.
  - **Frequency of backtesting and stresstesting**. Most supported the daily calculation, others argued the complexity of product diversity.
  - Right of access only to participants, not necessarily Settlement Agents, e.g. other CCPs.
  - Access to **Central Bank liquidity**. Is important given the systemic importance of CCPs, others consider that it could create problems of competitiveness between CCPs.
  - **Business Continuity Standard (2 hrs)**. Most consider this standard feasible.



## Bank Capitalization

- **CPSS-IOSCO Intention:** That banks take in account reserves of capital, since losses of defaulting can be mutualized and facing a very extreme scenario the CCPs might be insolvent.
- Unlike **banks**, that **take positions to generate income**, the **only activity** of the **CCPs is to manage risks**.
- **Clarity** is needed on methods for **capital charges**. It's necessary to **consider netting** the positions and review the **risk horizons**, because of CCPs (days) vary greatly with respect to the Banks (months / years).
- Define to what extent **compliance with the Principles IMF** will allow CCPs to be "**Qualified CCPs**".



## Stresstesting practices in CCPs

- Considerations for evaluating **multiple / sequential defaults** on credit and liquidity risk: contagion, time between defaults, etc.
- What types of **historical events and theoretical** scenarios are **included** in the stresstesting: consistency with plausible market structure.
- Considerations for OTC **markets stresstesting vs. on-exchange**: concentration, volumes, etc.
- **Role of regulators** in stress tests: additional standards by local market conditions.
- **Common elements of methodologies** and differences of members of CCP12.
- How are stress tests **methodologies updated**: after / during a crisis, new methodologies, including scenarios, etc.
- Mechanisms to measure the **effectiveness** of the stress tests.
- **Lack** of information for stress tests: generation of theoretical scenarios.
- **Who should participate** in stress tests: customers, providers of liquidity, etc.





## Other Activities



March, 2012.



## Papers

- **CCPs value proposition-** mitigates the risk of counterpart, facilitates the netting of positions, provides certainty, reduce systemic risk in a default, reduces spreads (anonymity), promotes good practices of risk management, gives regulators the monitoring of operational practices.
- **The role of the CCPs in the recovery from the financial crisis-** dampens shock default participants, brings transparency and neutrality, mitigates the risk of liquidity, reduces information asymmetries because it knows its participants.
- **The process of default on CCPs and the collapse of Lehmann Bros.-** experience closing processes applied by the members of CCP12 who had Lehmann as agent: Declaration of default, estimate of the damage, closing strategy, transfer of accounts of clients, number of days for the closure, etc.



## Upcoming activities

- **IOSCO meeting (Madrid)**- concluding remarks the IMF principles.
- **Positioning on the evaluation of compliance with IMF principles**- relevant that the evaluation methodology depends on the degree of compliance of each of the CCPs.
- **Upcoming meetings**- London (April), Osaka (November). The topics are the regulatory update, and update procedures for default, notably MF Global.
- **Diffusion strategy**- The dissemination of the value proposition will be strengthened between the regulators, associations, customers.



## Diffusion

- **Newspapers, financial websites, web members**

The screenshot shows the CDS website with a navigation menu on the left including 'CDS Services', 'CDS Rules', 'Fees', and 'User Documentation'. The main content area features an announcement for the 'Central Counterparty Global Conference, Tokyo' on April 11, 2008. A 'DTCC Corporate Newsletter' overlay is positioned in the foreground, with the text: 'More on CCP12: CCP12 was formed in 2001 by major central counterparty organizations in Europe, Asia and the Americas to share information, develop analyses and...'. The CDS logo is visible at the top left of the screenshot.



**CCLV, Contraparte Central fue aceptada como miembro de CCP12 - asociación global de contrapartes centrales**

En la reunión anual de CCP12 efectuada en Toronto se aceptó a CCLV contraparte central del mercado bursátil chileno como miembro de CCP12, entidad que agrupa a los principales contrapartes centrales del mundo.

El pasado viernes 23 de septiembre se llevó a cabo en el Toronto Convention Centre, Canadá, la reunión anual de CCP12 ocasión en la que fue ratificada la recomendación del Comité Ejecutivo de CCP12, para que CCLV formara parte como miembro de dicha Asociación.

En la reunión, Gonzalo Ugarte - Gerente de Planificación y Desarrollo de CCLV - expuso la aplicación de CCLV para pertenecer a CCP12, tratando temas relevantes como el modelo operativo, la gestión de riesgos, el cumplimiento de estándares internacionales en materia de compensación y liquidación, respondiendo luego a una ronda de preguntas.

Central Counterparty Global Conference  
Tokyo - Japan 2008





G-20



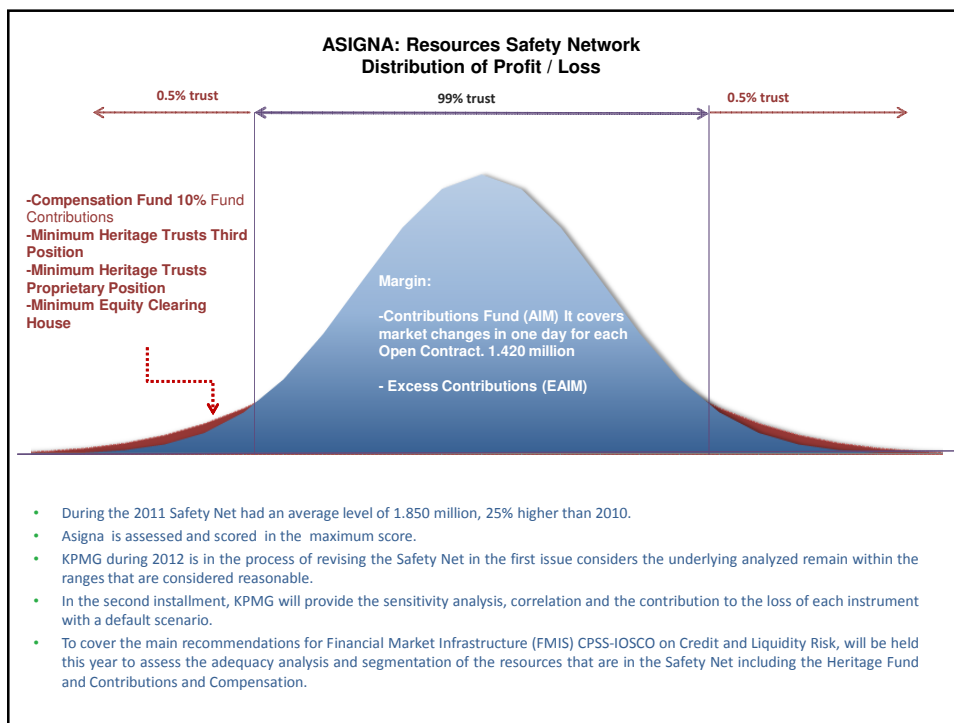
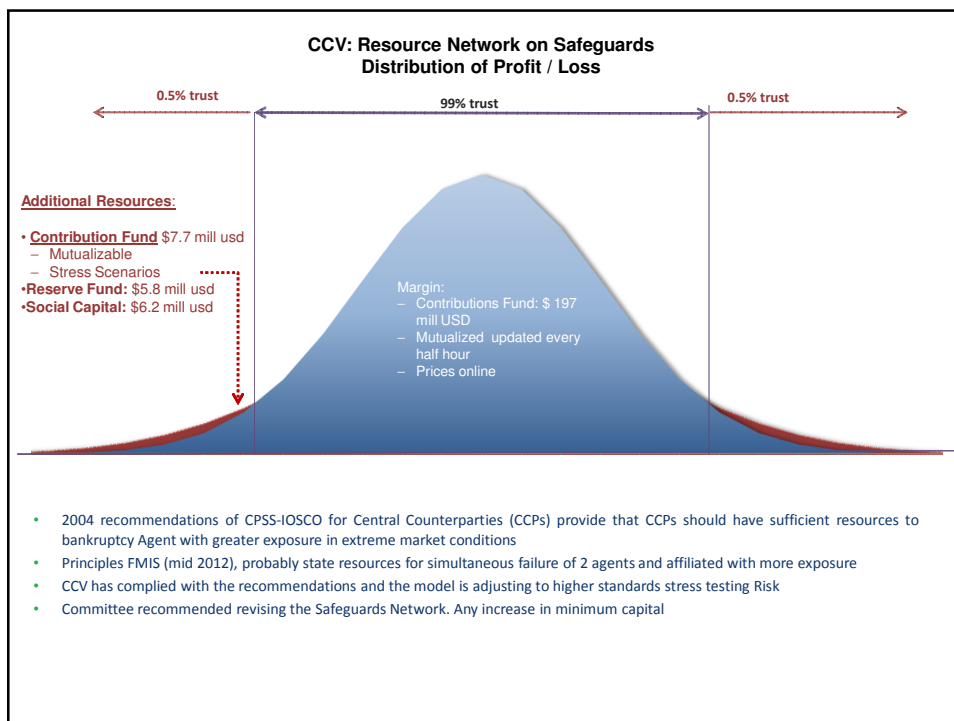
March, 2012.



### Recommendations for strengthening the financial stability and progress of the BMV Group.

- **Improvement in the management of risks** - review of assigned safety nets and CCV and implementing a framework for risk management and collateral common that includes a new engine for the calculation of risks (Algorithmics), CCV in a first phase and then Asigna. Asigna is in a process of validation of the models.







## Recommendations for strengthening the financial stability and progress of the BMV Group.

- **Strengthening of international cooperation-** Participation in various associations: ACSDA, CCP12, ISSA, IOMA, WFE, ANNA, SMPG, etc
- **IMF Principles-** beginning of the internal process of compliance to Asigna and CCV. Is expected to visit the World Bank and Mexico this summer. They are renewing the operating rules to make them consistent.
- **OTC derivatives / central repositories-** collaboration in the new law of derivatives collateral management services will be implemented and CCPs for OTC and is developing the Central repository.
- **Transparency-** Diffusion strategy according the Regulations, Recommendations and best practices.



## Presidency of Mexico. Recent findings of Finance Ministers meeting in Mexico in February

- **Reforms to reduce the systemic risk--**reaffirms the commitment to the establishment of global standards and the implementation of the reform regulatory internationally in a non-discriminatory manner. The regulatory agenda includes Basel III and reforms to the OTC derivatives market. It emphasized the working on FMIs, the promotion of the centralized clearing, monitoring the activities of banks and reducing reliance on credit ratings.
- **Growth-** The international environment is not homogeneous, weak growth in advanced economies and expansion moderated in emerging, structural problems and high levels of public and private debt.
- **Volatility-** has been reduced although it remains high and is necessary to monitor the risks. Is this working together to prevent adverse scenarios.



ACSDA Allies Report

**CCP12**

Gerardo Gamboa, CEO Indeval  
Cartagena, Colombia



March, 2012.

