

CPSS Secretariat
Committee on Payment and Settlement Systems
Bank for International Settlements
Sent by email: cpss@bis.org

IOSCO Secretariat
International Organization of Securities Commissions
Sent by email: qdisclosure@iosco.org

December 13th 2013

Re: CPSS-IOSCO Consultative report: Public quantitative disclosure standards for central counterparties

Dear Secretariat,

This letter contains the response of Société Générale to the Committee on Payment and Settlement Systems (CPSS) and International Organization of Securities Commissions (IOSCO) (together, "CPSS-IOSCO") consultative report, *Public quantitative disclosure standards for central counterparties* issued for comment on 15 October 2013.

Société Générale is one of the leading financial services groups in Europe. With its diversified universal banking model, the Group combines financial solidity and a sustainable growth strategy with the ambition of being the relationship-focused bank, a leader in its markets, close to its customers, and recognised for the quality and the commitment of its teams. The Group has over 154,000 employees across 76 countries, who serve more than 32 million customers across the globe. Société Générale's teams offer advisory and other services to individual customers, companies and institutions.

We support the aim of CPSS-IOSCO consultation to increase the depth and consistency of quantitative disclosure related to central counterparties (CCPs) to allow stakeholders to more comprehensively understand, evaluate and manage the risks inherent with their participation at any given CCP. We believe that more detailed and standardized quantitative data, available consistently across CCPs, will foster greater interaction between CCPs and their clearing participants which will promote more robust risk management practices and allow clearing participants to more effectively assess, monitor and manage CCP risk exposures.

As a general remark we consider that disclosure obligations should seek to achieve homogeneous definitions of metrics across CCPs. As an example, the definition and format of margins sets vary from one CCP to another and such differences hinder transparency, monitoring and comparison between CCPs. We recognise that some information may justifiably be considered as sensitive from a commercial standpoint, and should be made available only to members.

In our response we have not sought to answer each individual question, but instead focused on those areas where we consider that additional, more frequent or more granular disclosure would be helpful for stakeholders.

We appreciate the opportunity to share these comments and would be pleased to engage further with CPSS-IOSCO on this regulatory initiative

Yours sincerely,

Eric Litvack
Head of Regulatory Strategy
Global Banking and Investor Solutions
Société Générale

Response to specific questions in the consultation organized by CPSS-IOSCO principles

Principle 5.3 :

CCPs should indicate the collateral affected (those for which the decrease in value exceeded haircuts), the period for which the drop in value was incurred and the magnitude of the drop.

Principle 6.1 - 6.2:

Monthly frequency is preferred for IM required and posted, as it would allow sufficient data for analysis. Required vs. posted margins should be communicated at the same dates so that margin shortfall can be estimated.

Principle 6.4 :

A complete description of IM model should be provided so that margin calculation can be verified/challenged. To the extent that such information may be proprietary such information should be provided on a confidential basis.

Each day's initial margin should be compared to the following day's profit and loss, and results reported.

Principle 6.5 :

In reporting results of back-test of initial margin, as well as the number of times the IM coverage is breached, there should also be some indication of frequency. For example, if there is a number of breaches in a quarter, it would be different if they arose evenly across the period versus concentrated in a short time.

Principle 7.1 :

CCPs should disclose the composition of liquid resources at an aggregate level, and also should disclose the degree of segregation of those arrangements. We believe that it would be inappropriate for CCPs to name individual liquidity providers.

Principle 13 :

It would be very useful for CCPs for report, on a formal basis, quantitative information concerning the outcomes of default events. A delay of 6 months from the date of default would appear reasonable.

Principle 15.1 and 15.2:

CCPs should provide information and value of liquid net assets funded by Equity at each major corporate event (such as acquisition/merger) which can have an impact on balance sheet and income of CCP or group owning the CCP. This should be compulsory for non listed CCPs.

Principle 15.2

While we agree that financial disclosures of revenues, expenditures and profits is useful in enabling members and their clients to understand the operations of the CCP, we do not see why details of the amount of profit retained versus that distributed is a relevant disclosure.

It is sufficient that the CCP has sufficient financial resources to support its business and is stable in its operations. The disclosures as proposed are enough to enable members and their clients to make such an assessment, and whether financial resources are grown by retention of profit is irrelevant to such an assessment.

Principle 15.3:

CCPs should provide at the CCP operating company and segment level where possible (as opposed to Group level) details of income coming from re-hypothecation, lending, repos, investment income. If disclosure can only be provided at group level, a breakdown should be provided where possible by business lines/entities/subsidiaries.

Principle 16.2:

CCPs should specify jurisdictions where assets are held in custody, as well as the identity of the custodian where allowable.

Principle 17.1 and 17.2:

CCPs should specify system failures and nature of tests carried out on systems ("performance target").

Principle 17.3:

CCPs should provide details of contingency plans.

Principle 20.7

Where cross margining arrangements are in place, the amount of margin reduction associated with such arrangements should be disclosed.