

## **Response to the Basel Committee on the Consultation: “Capitalisation of bank exposures to central counterparties”**

CCP12 – the Global Association of Central Counterparties, was formed in 2001, and is currently comprised of 28 major central counterparty (CCP) clearing house organisations across Africa, the Americas, Asia, Australia and Europe. These members operate over 35 separate CCPs across an extensive range of OTC and exchange-traded markets, both cash and derivatives, covering equities, fixed interest, commodities and energy.

Our membership has a broad range of experience, and includes several CCPs that have been instrumental in the development and establishment of CCP services for OTC derivatives, including credit default swaps (CDS).

CCP12 welcomes the (majority of the) proposed Basel III reforms reflected in the proposed regulatory capital adequacy rules. CCP12 understands the BIS intent, that banks make capital provisions for two major sources of exposure to CCPs:

- a) Loss mutualisation exposure: a CCP member defaults and surviving members could be exposed to loss sharing.
- b) Trade exposure: the CCP itself becomes insolvent, and clearing members face
  - a) replacement cost risk, b) potential loss of collateral posted with the CCP which becomes part of the failed CCP's estate.

As a global association it is keen for CCP12 to assist in this process. However the shortness of the consultation period, the complexity of the matter combined with the need of global discussion and common understanding on CCP12 level will allow only for a limited response of CCP12 as of today. Many of our members did also contribute to the data questionnaire and most of our members started the internal analysis of the proposal, which also limited the resources to give a global coordinated response. But for all that we are sure that individual members of CCP12, other CCPs and regional CCP associations will also respond to the consultation. Only all these responses together can provide a holistic picture of the comments of the CCP industry.

Nevertheless CCP12 will seek confirmation or clarification of various points. Furthermore CCP12 is concerned by the proposed timelines / implementation dates. The proposed implementation date of the new rules for bilateral-cleared and CCP-cleared trades by January 2013 may result in a strong structural break for the capital market. Therefore CCP12 suggests a later implementation date for the rules on CCP exposures, even to incentivise the transition period from bilateral to CCP-clearing. This might enable the needed smooth structural change of the capital market. Also national implementation by January 2013 may be too optimistic given the need to address the current complex data calculation and the establishment of numerous international information sharing arrangements across different jurisdictions.

The existing G20 timetable requirements for standardised OTC derivatives to be cleared by the end of 2012 should be taken into consideration when determining the optimum implementation timings for the new bank capital weightings. There may not be sufficient data available now to do a meaningful impact study on the intended rules. Provision must be made to fine tune the initial approach when OTC derivatives' clearing is more fully implemented and sufficient data is available to analyse the impact of the intended rules.

Moreover the CPSS-IOSCO standards on CCPs are expected to be published for consultation in a few months. There should ideally be a further comment period for the BIS requirements after the CPSS-IOSCO standards are made available for consultation to enable a holistic response. Alternatively, a second comment period may be advisable based on the results of the data gathering.

With this background CCP12 and its members continue to work on detailed responses to the rules outlined in the Consultative Document.

Best Regards,



Marcus Zickwolff  
Chairman, CCP12

### **About CCP12**

*Formed in 2001, CCP12 is a global association of 28 major central counterparty clearing house organisations across Africa, the Americas, Asia, Australia and Europe. CCP12's mission is to collaboratively share information, support development of standards and liaise with regulators, industry groups and global market users to foster dialogue on areas of mutual interest and concern, and to promote best practices in CCP risk management and operations.*

*For further information about CCP12 activities or to enquire about joining CCP12, please contact the current Chair, Mr Marcus Zickwolff, Head of System Design Department of Eurex Clearing AG at +49 69 211 15847 or via [marcus.zickwolff@eurexchange.com](mailto:marcus.zickwolff@eurexchange.com).*