Central Counterparty National Clearing Centre (NCC) response to the BCBS-CPMI-IOSCO Consultation report ‘Review of margining practices’ – January 2022

Question 1: Does the report accurately describe the key market events of the Covid-related period of stress from February to April 2020 and its effects on the magnitude and frequency of the calculation and payment of margin in centrally and non-centrally cleared markets? If not, in what ways are the descriptions not fully representative of the events? Are there any other important events or effects missing? If so, please provide any information or data that are relevant to the missing events or effects to the extent feasible.

NCC: the report summarizes the key market events of the COVID-19 stress period accurately. It would be interesting to understand does such stress trigger default management procedures and does any problem with liquidation arise.

Question 2a: Does the report draw appropriate conclusions from the presented observations and analysis of the various aspects of centrally and non-centrally cleared margin during the 2020 stress period? If not, in what cases do you feel the conclusions are not justified by the included analysis? Are there any areas or specific topics of analysis you consider to be missing? If so, please provide any information or data that are relevant to the extent feasible. Please set out your views across the following sections:

a. **The drivers of margin calls during the period of market stress covered by the report.**
b. **The current level of transparency in margin practices by CCPs and intermediaries.**
c. **The preparedness of intermediaries and clients for meeting the increased margin calls seen during the period of market stress covered by the report.**
d. **The relationship between margin demands and other liquidity demands during the period February–April 2020.**

NCC:

- Drivers of margin calls:
    - VM paid
    - Position changes
    - IM changes (for single asset or for the whole portfolio)
    - Anti-procyclicality measures reduced margin calls levels
- Level of transparency:
    - CCP provides many data via different channels (website, trading systems, e-mail, messengers). For different participants use different channels, its impossible to maintenance the same level of transparency through all these channels because of its limitations.
    - intermediaries do not test what-if analysis tools and are not prepared to work with such tools in case of stress.
    - Nevertheless, the transparency between CCP, CMs and their clients could be enhanced
- Preparedness:
    - CM were prepared to meet its obligations due to transparent and stable process.

- Relationship between margin demands and other liquidity demands
    - Increase of overcollateralization as mentioned in the report

Question 3: Do you agree with the proposals for further international work regarding good practices, metrics and disclosures concerning procyclicality in CCP IM models? Are there other aspects of CCP IM where additional disclosures should be prioritised for further work?

NCC:

The level of transparency is high enough. The amount of data which is available that CCPs provide to CMs is a lot. Nevertheless, CCP could create some additional "how to" materials and explain single processes in easy words and concrete steps. Communication between CMs and their clients are hidden from CCP but such materials could be helpful for clients.

Question 4: Does the report identify appropriate aspects of transparency in centrally and non-centrally cleared markets for further international work, including identifying data gaps, enhancing disclosures to clearing members and increasing margin model transparency?

a. **What specific areas of transparency would be most helpful? What (if any) are the barriers to providing those points of transparency?**

NCC:

The transparency aspect of non-centrally cleared markets need to be enhanced.

Barriers: confidentiality of data (market data and positions), cost of margin and what-if calculators (some calculators need non-free market data).

b. **Should any other areas of increased transparency be considered?**

NCC:
It is important to increase the awareness of CMs about how CCP margin models work. CCP could publish explanatory notes with examples on a website and provide webinars to CMs.

Question 5: Do you agree with the proposals for further international work to enhance liquidity preparedness in the NBFI sector, including the development of appropriate liquidity metrics and disclosures, analysis of liquidity provision robustness and expanded information sharing between intermediaries and clients? Have the proposals identified all key aspects of NBFI sector liquidity preparedness which should be included?

NCC:

Yes, agree and support.

Question 6: Do you agree with the proposals for further international work to evaluate data gaps in regulatory reporting by banks and non-banks? Are there particular data gaps you

would identify as being of material importance? If so, please provide any supporting information and data to the extent feasible.

NCC:

Yes, agree and support.

Question 7: Does the report identify appropriate proposals for further international work on streamlining VM processes in centrally and non-centrally cleared markets? Should any other aspects of VM processes be included in this work?

NCC:

We are solidary with EACH response to the BCBS-CPMI-IOSCO Consultation report.

Question 8: Does the report identify appropriate proposals for further international work on the degree and nature of the responsiveness of CCP IM models to market stress? Should any other aspects of CCP margin models be included in this initiative?

NCC:

Yes, report identify appropriate proposals.

Question 9: Do you agree with the proposals in the report to evaluate the degree and nature of responsiveness of non-centrally cleared IM models to market stresses, remediation of IM shortfalls and the level of disclosure of non-centrally cleared IM model performance? Should any other aspects of non-centrally cleared IM models be included in this initiative?

NCC:

Yes, agree.

Question 10: Are there any other important aspects not covered by the report which should also be prioritised for further international work or policy development?

NCC:

There is no any quantitative criteria of APC measures effectiveness - how CCP should work with their models and what should optimize (size of IM increase, frequency of IM increase or something else). Every CCP solve its own problem and its would be beneficial if there would be international research and recommendations.