[SEC Thailand] Response to consultative report on review of margining practices

Question	Response
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.	- In Thailand, during February to April 2020; key market events are in line with those described in the paper. - The effects on centrally cleared market (Thailand Clearing House ("TCH")) are as follows : **(1) magnitude** : Margin requirement amount was relatively high during 27 March 2020 - 21 May 2020, then decreased afterwards. **(2) frequency of calculation** : There is no change. **(3) frequency of payment** : The total number of margin calls each day was relatively high during 25 April 2020 - 5 June 2020. Assuming that each member posted stable amount of excess collateral, this means that the frequency of margin call increased during such period. - No comment regarding non-centrally cleared markets
2. 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.	a. No comment **b. In centrally cleared market,** in the case of Thailand, the transparency of **CCP margining practices** are as follows : - TCH discloses publicly **margin model (SPAN)** and **margin methodology** in PFMI Disclosure (Principle 6) https://www.set.or.th/tch/th/PFMI_TCH_Disclosure_04112019.pdf. **The model attributes** (c.f., lookback, close-out period) are updated quarterly in the Public Quantitative Disclosure (PQD) https://www.set.or.th/tch/en/pfmi/quantitative_disclosure.html. - TCH also provide **margin calculation tool** to the members, which enables them to estimate and prepare appropriate amount of collateral in the right time. - **This is in line with the conclusions from the report**, which indicate that 85% of CCPs indicated that information on margin models and methodologies are publicly available on their websites; and 76% of CCPs indicated that they make margin calculators or simulators available to their clearing members and in many cases clients. - No comment on the transparency of intermediaries c. No comment d. No comment

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.	
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?	**Regarding the proposal,** **(1) We see that it is appropriate for CCPs to use anti-procyclicality (APC) tools,** since it helps reduce the chance of downward spiral [margin call > asset sales > prices drop > margin call]. **(2) We agree with the proposal to have consistent disclosure of procyclicality of IM model.** The reason is that this enhances transparency of IM model and improves market participants' liquidity preparedness.
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? b. Should any other areas of increased transparency be considered?	**(1) In centrally cleared market,** the report **identifies correct aspects** of - **provision of tools and simulators** to predict member's margin - **consistent disclosure** about **margin model** and its **responsiveness & performance, since this improves liquidity preparedness of market participants.** (2) No comment regarding **non-centrally cleared** markets
5. Do you agree with the proposals for further international work to	• **Agree, since this improves liquidity preparedness of market participants, enhances the efficiency of clients' preparedness**

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?	**on liquidity management, and maximizes market stability by reducing credit risk.** • **The key aspects on the proposal are already covered.**
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.	(1) According to the proposals, which address the data gap between clearing members (banks vs non-banks); we agree that when focusing on the impact of data transparency on CCPs, clearing members should have the same reporting standard. (2) However, Thailand has only one CCP. Clearing members are all non-banks. This problem is therefore not applicable to Thailand.
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?	**(1) In centrally cleared market,** the report identifies appropriate proposal in general context. - According to the report, in a system with many CCPs and each CCP has different VM passthrough process. In this case the clients that clear their position via different intermediaries may face different VM passthrough process. For this reason, the clients may have to spare their excess liquidity, which may lead to liquidity tightening. Therefore, the proposal to streamline VM passthrough process across CCPs could help reduce excess liquidity to spare; and thus, save clients' funding costs. - However, in Thailand, there is only one CCP. Therefore, the proposal is not applicable to Thailand. (2) No comment regarding **non-centrally cleared markets**
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	**According to the proposal,** (1) **To study** degree and nature of the model's responsiveness to stresses and impact/cost/ benefit on CCP resources and financial system. We agree, since it helps understand the linkage systematically. (2) **To explore appropriate way to analyze, compare and <u>set baseline expectation to procyclicality</u>** in various settings; this work **<u>may consider the merits of additional guidelines for regulator's assessment of model attributes</u>** (e.g., lookback, identification of stress periods, decay factors, APC, MPOR).

included in this initiative?	**In our view,** **(1) model responsiveness should agree with risk appetite (e.g., size of clearing fund) of each CCP.** **For this reason, it should be the responsibility of each CCP to set expectation towards model responsiveness.** According to PFMI Prin.6 "***A CCP should analyze and monitor its model performance and overall margin coverage by conducting*** *… (backtesting) …* ***and monthly or more frequent, where appropriate, sensitivity analysis.*** *This should take into account a wide range of parameters and assumptions that reflect possible market conditions."* **It is clear that CCPs should review model performance regularly, and more frequent during high volatility period, to make sure that the model still performs well in the changing situation.** (2) Regarding the guidelines for regulator's assessment of model attributes, **we would agree if the guidelines are principle-based, which provide flexibility for the CCPs to adjust its models according to their risk appetite. We would not agree if the guidelines specify the magnitude of parameters (e.g., EMIR's guideline on APC tools).**
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?	no comment
10. Are there any other important aspects not covered by the report which should also be prioritized for further international work or policy development?	no comment