BCBS-CPMI-IOSCO publish consultative report on transparency and responsiveness of initial margin in centrally cleared markets

Consultation questions	Responses
General Questions	
1. Collectively, if adopted, would the set of proposals likely result in increased transparency and a mitigation of destabilising changes in margin requirements in centrally cleared markets? Please identify within the set of proposals any which would be particularly beneficial and others which may be less beneficial (e.g. where the costs may substantially exceed the benefits). Please provide an explanation to your answer.	1. The proposals would likely to serve the purpose. However, the degree of effectiveness is different. 2. Beneficial: 2.1 (prop. 1&2) Margin simulators 2.2 (prop. 3&4) Qualitative disclosures to participants 2.3 (prop. 7) Analytical & governance framework for CCPs and authority (responsiveness & coverage & cost) 2.4 (prop. 9) CM-to-client transparency 2.5 (prop. 8 a.) CCPs have clear governance procedures, ex-post reviews, triggers, instances and areas where overrides may be warranted / (prop. 8 b.) CCPs disclose scenarios, governance procedures of model discretion and share with authorities Reason: - Regarding 2.1 - 2.4, the information provided by CCP/ CMs is specific to the audience (CM/regulator/client). Thus it can be used promptly by the users. - Regarding 2.5, the framework establishes internal control as well as facilitates the regulator's supervision directly. 3. Less beneficial 3.1 (prop. 5) Public quantitative disclosures (PQD) 3.2 (prop. 6) Measuring and publicly disclosing margin responsiveness 3.3 (prop. 8 c.) publicly disclosing size/ duration of margin overrides 3.4 (prop. 10) CM-to-CCP transparency

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	<u>Reason</u>: - <u>Regarding 3.1 - 3.3, the disclosed information is calculated to represent the whole picture of the CCP, thus it helps provide just the overall picture of the corresponding matters. Therefore, it helps increase transparency of the CCP but it requires extrapolation before using by the audience to benefit management/investment strategy</u>. - <u>Regarding 3.4, the proposal benefits directly just for the jurisdiction with multiple CCPs.</u> <u>(see question 10)</u>
2. Are there any aspects of margining practices in centrally cleared markets that have not been adequately covered by the set of proposals and which could positively contribute to achieving the Margin Group's objectives?	The proposals already cover important aspects of margin practices.
3. Many of the proposals recommend that a market participant group (eg all CCPs, all CMs etc) be required to provide enhanced disclosure or adopt a new practice. Should the principle of proportionality, with requirements dependent on participant size or type, be used in determining how different firms apply the proposals? If so, in what ways? Please specify the proposal(s) in your response.	1. The following proposals should depend on the level of sophistication of the audience. Thus CCPs/CMs should be required to follow the following proposal with regard to their clients. 1.1 Proposals that would benefit <u>sophisticated audience</u>: - (Prop. 5) Public quantitative disclosures (PQD) - (Prop. 6) Measuring and publicly disclosing margin responsiveness - (Prop. 8 c.) publicly disclosing size/ duration of margin overrides 1.2 Proposals that would benefit <u>less sophisticated audience</u>: - (Prop. 1&2) Margin simulators - (Prop. 3&4) Qualitative disclosures to participants - (Prop. 9) CM-to-client transparency 2. Noted that the following proposals are not dependent on participant's factor.

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	2.1 proposals that would benefit all types of audience: - (Prop. 7) framework for assessing model performance and taking appropriate action (3 factors) - (Prop. 8 a.) CCPs have clear governance procedures, ex-post reviews, triggers, instances and areas where overrides may be warranted - (Prop. 8 b.) CCPs disclose scenarios, governance procedures of model discretion and share with authorities
4. Are there cases in the proposals where there could be an effect on bilateral market margining? If so, what are the factors or instances that should be taken into consideration to ensure that proposals for cleared markets do not negatively affect dynamics within other markets?	Since there is not enough information regarding bilateral market margining in OTC derivatives clearing. Market Supervision Department of the SEC Thailand does not have any comment drawing from practical experience.
Proposal-specific questions	
5. Proposals 1 and 2 recommend that margin simulation tools be made available by all CCPs to all CMs and clients, with enhanced functionality.	
(a) Are there certain modes of access to CCP simulation tools which are less costly or more effective?	Currently, in Thailand, simulation tool (SPAN application) is provided by the CCP for the members free-of-charge. Therefore, cost is not the cases of concern. To improve effectiveness, the possible solution is to integrate margin simulation feature into clearing system application as a one-stop-service, so that CMs can access the simulator promptly.
(b) Are there any impediments to making simulators available to clients? To what extent could these impediments be mitigated or resolved, eg by changing the mode of providing access to tools, or how clients request access to tools? Does this depend on the format of CCP tool (e.g. the use of cloud technology, the use of APIs, etc.)?	At present, in Thailand, margin simulator for clients is provided by the brokers. This practice allows CMs to have more flexibility in customizing simulation tools if client's margin methodology changes. Therefore, the format of CCP tool does not play role in providing margin simulator to clients. Instead, the solution would be the availability of software packages that allows CMs to develop the tools easily with low costs.

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(c) Are there any reasons why the proposed historical and hypothetical scenarios to be provided as part of the simulator tool suite should differ from the CCP's current set of extreme but plausible stress test scenarios? In addition, would there be additional value in allowing users to customise their own scenarios within the simulator tool? If so, what types of customisation would be of most value?	The tools that allow the customers to customize their own scenarios will cause additional benefit. It allows the customers to prepare liquidity in the case that the customized scenario lies beyond CCP's scenario.
(d) Are there any elements of the initial margin calculation (e.g. add-ons) which would be difficult to incorporate into a standardised simulation tool? If so, what are the relevant challenges?	In Thailand's context, there are 3 margin add-ons: - super margin (long holiday margin) - concentration margin - uncovered risk margin (stress test) The last 2 margins are difficult to simulate, as it depends on the actual position created by other participants on the trading day. The challenge would be (1) how to make the assumptions realistic (2) the assumption may cause the difference between the real margin and the simulated margin; thus the tool may not provide useful information.
6. Proposal 5 recommends a set of changes to the PQDs, further detailed in Table 5 of the report.	
(a) With reference to Table 5, would the proposed additional data breakdowns and increased frequency of reporting facilitate market participants' understanding of the margin system?	The breakdown and the increased frequency would be - beneficial to enhance the understanding of market participants and - help the regulators monitor the CCP in both risk management and prudential aspect

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(b) Would there be any challenges in providing the additional data breakdowns or higher reporting frequencies? If so, are there alternatives that would be equally effective? For instance, are there alternative modes of more frequent public disclosures that would achieve a similar goal but result in reduced burdens on CCPs?	The breakdown and increased frequency may increase workload of the CCP. The CCP may adopt straight-through process in disclosing such data.
(c) Are there any additional amendments to the PQDs, beyond those set out in Table 5, that would help market participants and stakeholders understand or anticipate changes in margin requirements? What would this information be, and how could this information be effectively incorporated into the PQD framework? For instance, would there be value in including additional non-quantitative information in the PQDs related to margin changes?	The stated proposal already take care of important amendment needed.
(d) Are there any examples of current public disclosures by one or more CCPs which could be used as a guide for improved transparency?	-
7. Please review the analytical annex detailing the proposed design of a margin responsiveness metric, as described in Proposal 6.	
(a) Is the proposed method for measuring margin responsiveness (ie a large call metric), alongside the associated change in volatility, an informative way of measuring responsiveness? If not, what alternative approach or methodology should be used, and why would that alternate approach better aid market participants in their liquidity planning?	The method proposed is informative; and suits for the purpose of measuring responsiveness.

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(b) For each parameter input for the responsiveness and volatility risk metrics, please select your preferred choice from the list below or provide an alternative option. Please provide an explanation and any supporting evidence for your choice. i. Large call window: five or 20 days. ii. Observation period: one quarter or one year. iii. Product vs portfolio reporting: Product, static portfolio or dynamic portfolio. If supporting product-level reporting, please provide information on which products should be reported by the CCPs. If supporting static and/or dynamic portfolio reporting, please provide information on how the portfolios should be determined and an explanation for how that one portfolio would be representative of clearing activity at the CCP. iv. Volatility risk metric: Standard deviation or VaR (99%). v. Volatility risk metric lookback period: 90 days or two years.	The preferred choice of the parameters is based upon the risk profile of each CCP. Each CCP should be able to explain the reason behind the choice chosen (e.g. short/long period). Internal governance framework should be established regarding the parameter choice and periodic review to ensure the proper output. Industry response would provide valuable insight.
(c) Are there other parameters where calibration decisions are necessary for consistent disclosure of either margin responsiveness or market volatility?	-
(d) Do you foresee any challenges in the development and use of the proposed metric? For instance, are there challenges in applying a harmonised choice of parameter inputs across all CCPs and all products?	-
8. Proposal 7 recommends that CCPs identify and define an analytical framework for assessing margin responsiveness within the broader context of margin coverage and cost.	

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(a) Are there other important balancing factors which should be taken into consideration when evaluating the performance of initial margin models?	The given factors already include important factors.
(b) What elements of the "trade-off" framework would most help regulators to better understand how a CCP balances between important risk management factors? In what ways would this framework be useful in identifying cases where a review of the model by the CCP and/or the authority would be beneficial?	The importance of each element is based on the circumstance. For example, - volatility surge: 1. responsiveness 2. coverage 3. cost - low volatility: 1. coverage 2. cost 3. responsiveness For this reason, different set of benchmarks of the three elements should be determined for different scenarios. If under such circumstance the indicator goes beyond the benchmark, the CCP should review the model.
9. Proposal 9 recommends a number of enhancements to CM-to-client transparency.	
(a) Are there aspects of the proposal that would be particularly valuable for clients, and are there aspects of the proposal that would be particularly challenging for CMs to meet?	Yes, there are. **Value for clients**: All proposals will enhance the clients understanding of margin requirement and will improve clients' readiness in responding to potential margin calls. Currently, all CM follows margin requirement standard set by the Futures Industry Club (FI Club), Association of Securities Companies (ASCO). The FI Club standard is disclosed to public on ASCO website. (https://www.asco.or.th/club.php?clubid=6)
(b) Do CMs currently provide any form of simulation tool, in addition to the tools provided by CCPs? For those who currently do not, what is the feasibility of CMs developing such tools? What functionality would be of most use to clients in CM-designed simulators?	No, they don't. Currently, the Futures Industry club develops and discloses method of the CM's margin calculation including specified margin multiplier from CCP level. Clients are notified by CM.
(c) On the proposed quantitative disclosure described in 9e), do you have supportive or alternate views on the information that	We have supportive view to provide information on such difference, subject to practice in each jurisdiction. In case the standard of margin requirement may varies across CMs, format of information to be disclosed should be discretion.

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should be provided and the format in which the information should be disclosed?	
(d) Do you agree that CMs should adopt an analytical framework for measuring the responsiveness of initial margin requirements for their clients, similar in nature to the proposed framework for CCPs described in Proposal 7? If so, in what ways might that framework need to differ from that used by CCPs, and in what ways might this depend on the type of CM covered?	Yes, we agree. In addition, CMs may take into account different factors to apply margin mark up in addition to CCP's requirement such as credit risk related to the end client etc.
(e) Do you foresee any barriers or challenges to CMs implementing the proposed disclosures, such as cost, negative effects on risk management, or any potential overlap with traditionally proprietary information?	CMs may have to incur additional cost and operation to run CM's simulator and backward-looking information on difference between CM margin and CCP margin.
10. Please review the list of examples CM-to-CCP disclosures provided at the end of Section 4.3.2.	
(a) Would the information included in the proposed disclosures aid the CCP's own risk management processes? If not, is there alternative information which would be useful for CCPs to receive from members?	The proposed disclosure would be beneficial to the CCP regarding risk management. However, in Thai context, there is only 1 CCP. A liquidity tightening from another jurisdiction can affect CM in Thailand indirectly in the case of multinational securities companies. Thus, the proposal is beneficial, but indirectly.
(b) Is any of the information included in the proposal description either redundant or duplicative of information already available to the CCP, and thus of minimal value? Does any of the information included in the proposed disclosures differ by institution type?	The information is not redundant.

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(c) Would collection of the information impinge upon current legal disclosure frameworks?	-
(d) Do any of the example disclosures potentially overlap with traditionally proprietary information?	-