

28 August 2009

The European Association of Central Counterparty Clearing Houses

Comments

Commission Communication

“Enhance the resilience of OTC Derivatives Markets”

July 2009

I. General comments

The European Association of Central Counterparty Clearing Houses (EACH) welcomes the opportunity to provide comments on the July 2009 European Commission Communication “Enhance the resilience of OTC Derivatives Markets”.

On 3 July, the European Commission adopted a Communication on ensuring efficient, safe and sound derivatives markets. EACH supports the EU Commission’s Communication that derivatives play an important role in the economy and market organization needs to be safe and of highest integrity. The financial crisis has highlighted the need for ensuring that systemic risk in the OTC part of the market is properly managed and mitigated.

Given the fact that the debate on OTC derivatives markets will last some time and need to deal with very detailed technical issues, EACH would recommend to keep in mind some overall key messages and general principles which should lead the discussion and build the benchmark in this process.

Key Messages:

- *Individual responsibility for risk taking:* Prudent risk management suggests that open exposures should be collateralised in order to mitigate credit (counterparty) risk
- *Avoidance of excessive risk taking:* Risk taking of market participants that exceeds the individual risk capacity (i.e. is excessive) has to be constrained and avoided
- *Separation of risk taking from risk management:* Post-trade infrastructure should manage risk as their main focus on a continuous basis, being independent from any self-interest in the development of trading positions

- *Minimum market transparency*: Appropriate transparency as a basis for market integrity and effective supervision has to be ensured
- *Manageable market complexity*: Market complexity because of bilateral relationships should be reduced to a manageable degree

General Principles

1. *Market driven solutions* – With regard to market structure and organisation of markets: In principle, market-driven solutions (e.g. the provision of CCP clearing by competing firms) are generally preferable, assuming necessary pre-requisites for a safe and orderly market are established. Competition between private entity service providers will ensure choice for market participants and promote innovation. Market-driven solutions should be considered as the superior means of implementation wherever possible, although we do not want to exclude mandatory solutions in cases where this can be beneficial to the market place overall.

2. *Neutrality* - Providers of critical functions in the derivatives market should be neutral and independent, i.e. this is particularly important for risk management, which needs to be independent from risk taking to avoid conflicts of interest to ensure safety and integrity.

3. *European solutions* - The derivatives market is certainly a global market. Nevertheless, jurisdictions and regulatory regimes still lack this attribute. As a consequence, providers serving European participants in these markets should be fully subject to all relevant EU regulation and supervision. This will especially increase also legal and regulatory certainty for European market participants. Regulatory arbitrage between US/EU should be avoided. That said given the global nature of the markets, provided these regulatory goals are achieved, the technological and operational arrangement of a particular service on a global or a regional basis should be a matter for the markets to determine.

Comments on the Communication and the Report

Comment on the Communication

Section 2.3 includes the comment that “when traders in derivatives are neither market makers nor do they have any interest in the underlying they facilitate speculation, volatility and the building up of risks in the system”. We strongly believe that there is no proof such activities systemically increase volatility and, in fact, the reverse may actually be true. For example, many, if not most, of those who trade cash equities are neither market makers nor do they have any interest in the underlying other than its price.

While the risks that can develop from derivatives trading may indeed be of systemic concern (and institutionally terminal), the participation of “risk capital” is the lifeblood of all financial markets and, while it needs to be controlled, it should not be demonised. Investors, market makers and speculators build up together the liquidity of a market.

Comments on the Accompanying Working Paper

Benefits of CCP clearing

The description of CCP benefits, while in principle welcome, would benefit from some clarification, we submit.

a) the reference to “initial margin” being required at the inception of the contract, while being correct from the terminology and the origin of the practice, does not adequately reflect current conventional clearing procedures where:

i) initial margin is re-calculated and re-balanced at least daily to reflect the expected future volatility of the value of the open positions, and

ii) variation margin refers to the mark-to-market process to reflect the latest change in the market value of the open positions.

b) the statement that “by collecting collateral centrally, the amount of collateral available in case of a default among the participants is quite large” implies that all of the collateral collected by a CCP is available to resolve a default of a single participant – which is stated more explicitly later (“in case of a default of one participant recourse is made to that pool of collateral”) when, in general, it is only the mutualised default/clearing fund and other resources that are available; a participant’s collateral posted in respect of margin is applicable only in the case of its own default and can not be used to cover the default of another participant. However non-defaulting participants may be asked to refill the mutualised default/clearing fund.

c) there is what we take to be a typographical error in the first bullet point: “the original bilateral contract is replaced by two contracts between the CCPs” – in normal cases (i.e. absent interoperability) the original bilateral contract is replaced by two contracts, between each participant and the CCP.

Single v. Multiple CCPs

Section 2.4.2.4 of the Paper outlines a number of considerations relevant to whether clearing should be channelled through a single CCP or multiple CCPs.

First, it considers competition and states that “it is unclear how a single CCP will over time manage to overcome the difficulty of creating benign conditions for innovation in the absence of competition.” Innovation could be prevented if regulators mandate a single CCP, mandate the location(s) of multiple CCPs, or if they do not allow market forces to determine the optimum structure.

Second, it considers regulatory, supervisory and monetary policy related issues, which provide “powerful arguments against the global market being served by a single CCP located in a single non-EU jurisdiction.” By the same token, these arguments would oppose a single CCP located in a single *EU* jurisdiction. So, following this logic, global policymakers should prevent the emergence of a single CCP, regardless of its location. This may lead to a dangerous limitation of market forces and hinder consolidation and linkages. As for concerns that “in a crisis situation ... the single CCP would be the single point of failure”, we note the recent speech by Gertrude Tumpel-Gugerell¹ citing the example of CLS bank where global central banks have come to an effective structure for joint oversight. Although, given CLS’s specific function - it was necessary for central banks to co-operate - it serves as a good example for other cases where international supervisors wish to exert appropriate oversight of an infrastructure of globally systemic importance.

It goes on: “in the absence of an effective crisis management mechanism relevant authorities do not know how the burden of a potential CCP default would be shared.” It would be in contravention of international Recommendations (of ESCB-CESR and CPSS-IOSCO) for the CCP itself to have no effective crisis management mechanism or for there to be any uncertainty over how the burden of a potential CCP default would be shared. The onus is on global supervisors to ensure that their own crisis management mechanisms are fully robust.

Third, the paper rightly identifies that a balance needs to be struck between the costs and benefits of centralisation versus fragmentation. We believe that it is for market participants to assess that balance.

Fourth, the paper cites cross-margining and interoperability as ways to secure both competition and economies of scale. The Commission is well aware of the issues that arise in attempting to link together CCPs. This has proved complex enough in the case of cash equities, and interoperability for derivatives would exacerbate the difficulties.

¹ Speech on Globalisation of Post-Trade Infrastructures, 8 July 2009: “Daher hat das Eurosystem im Hinblick auf den PVP Bereich von CLS seine grundsätzliche Position, nämlich dass systemrelevante Infrastrukturen für Euro-denominierte Transaktionen im Euro Raum operieren sollen, nicht zur Anwendung gebracht. Stattdessen ist das Eurosystem, zusammen mit allen anderen Zentralbanken, deren Währung in CLS abgewickelt werden, intensiv in die Aufsichtsaktivitäten der Federal Reserve Bank, die die primäre Verantwortlichkeit für die Aufsicht über CLS trägt, eingebunden und die Zentralbanken haben diesbezüglich ein internationales Abkommen unterzeichnet.“

This passage concludes by saying “as highlighted by the G20 and de Larosière reports, it is desirable to have more than one CCP in order to ensure competition.” The G20 Report² states “*In order to mitigate systemic risk resulting from counterparty credit risk, in the short run, it would be beneficial for there to be a competitive environment for central counterparties without imposing regulatory requirements that unduly fragment the market.*” We agree, as we do not believe that monopolies should be imposed by political fiat in the realm of OTC derivatives clearing. We are currently witnessing, in Europe as well as globally, healthy competition amongst a number of CCPs in order to provide CDS clearing.

Fungibility

The discussion at the third bullet at 3.1.3 is not peculiar to CDSs.

Commodities

There is a statement at 3.4.7 “For pure OTC derivatives, no CCP as of yet provides a CCP take up solution” – there are CCPs in the EU who do provide a “CCP take up solution” (i.e. not exchange-traded).

² G20 Working Group 1: Enhancing Sound Regulation and Strengthening Transparency, March 25, 2009, p. 31

II. Comments to questions

We would like to comment on the consultative questions.

(1) Promoting further standardization

In order to provide background on a number of themes raised in the Consultation we outline our views on what attributes make an instrument eligible for clearing at a CCP. The fundamental requirement for eligibility is that the CCP can manage the default of a participant, through the implementation of both its risk management and default management policies, in a way that controls systemic risk. The main considerations are these:

- a) Can sufficient liquidity in the market (or related markets) be assured, such that proprietary positions of an insolvent participant can be closed out in the market under all but the most extreme scenarios?
- b) Are market prices available and reliable such that they can be relied upon as the basis for calculating market risk and therefore margin and other collateral requirements, under all but the most extreme scenarios?
- c) Does the CCP have robust and workable default management procedures to effect closing out in the market, under all but the most extreme scenarios?
- d) In extreme scenarios, where the market does not function effectively so as to accommodate “normal” closing-out, does the CCP have enforceable powers to allocate losses in a predictable and transparent way to surviving participants and/or the CCP’s owners?
- e) Can the clearing service and maintenance of risk management structures to withstand participant default be provided at an economic cost?

Note that the question of “standardisation” per se does not arise in the above discussion. However some degree of standardisation contributes to liquidity and price reliability (if there is sufficient demand for the “standard” offering) but does not guarantee it.

In the Consultation Document the Commission differentiates between standardisation of the “contractual parameters” and standardisation of the “contracts themselves”. Simple examples of this are presumably that a credit default swap will have a coupon (“contract itself”) and that the coupon is – after the implementation of the “big bang” protocol – now standardised (“contractual parameters”). Although the benefits of contractual standardisation are described solely in operational terms, and do not make an explicit link between standardisation and CCP-eligibility, it is important to bear in mind that standardisation of itself does not ensure eligibility (as it does not guarantee a liquid market). On the other hand, a lack of standardisation does not necessarily dictate ineligibility, but may require specific and more onerous risk management treatment.

EACH supports the drive towards standardisation while recognising on one hand that end-users' investment and risk management needs do not come in standard shapes. It is vital that investors' and corporations' business decisions, and ability to fully hedge their risks, are not constrained by the lack of permissible derivative products. On the other hand end-users need a sound and orderly market, where market integrity can be ensured and counterparty risk is mitigated. Further standardization will contribute to such a market architecture.

(1) What would be a valid reason not to use electronic means as a tool for contracts standardisation?

EACH response:

Electronic means can work on a general level where certain criteria can be determined, but it should be noted that there will be differences between products. The level of standardisation is not a definition to determine if a contract is eligible for CCP clearing or not.

Standardisation and subsequent automation requires costly investment, and it may prove difficult to implement sufficient incentives on the market as a whole to make a significant change. Firms will weigh up the costs and benefits of investing in further standardisation and automation in comparison with investing in improving risk control measures and product innovation.

(2) Should contracts standardisation be measured by the level of process automation? What other indicators can be used?

EACH response:

The “standardisation” referred to in this question is, we believe, standardisation of the contractual parameters rather than of the contracts themselves (e.g. that there are a defined number of fields in a message that must respect a certain format). It might be possible to measure standardisation in this way – depending on asset class and where the automation occurs, e.g. documents/confirmations or pricing – however standardisation is not an end in itself. What should be measured is the level of automation and straight-through-processing – or the level of use of a repository or a CCP, each of which will be facilitated by standardisation.

STP/process automation is not a requirement for standardisation, but rather the other way around. The need of further process automation to reduce operational risk and ensure trade finality will lead to further standardisation.

(3) Should non-standardised contracts face higher capital charges for operational risk?

EACH response:

Yes, there needs to be an incentive to clear on a CCP. Market participants should preserve the possibility not to use a CCP (but at a cost).

The question of higher charges or other incentives should relate to the level of automation and straight-through-processing rather than standardisation on its own. A contract which is electronically affirmed, confirmed, recorded in a CCP or a central data repository and where collateralisation and payments arising from it are settled in an automated manner, incurs less operational risks than a contract that does not employ these systems.

Higher capital charges for operational risks should not be applied to non-standardised contracts that go into a repository or are cleared by a CCP.

(4) What other incentives toward standardisation could be used, especially for non-credit institutions?

EACH response:

Incentives for those buy-side firms which are not credit institutions to use standardized products would be useful in encouraging sell-side firms to offer such standardized products. The same incentives toward standardisation should apply to both credit institutions and non-credit institutions. On the other hand as mentioned above investors and corporations need the ability to fully hedge their risks, which may not always be possible in a standardized way.

As explained in the answers to the previous questions, standardisation by itself does not guarantee eligibility of a contract to be cleared by a CCP. Rather, it is automated processing, use of central repositories and CCPs that should be encouraged.

(2) Strengthening bilateral collateral management for non-CCP eligible OTC derivatives

(5) How could the coverage of collateralised credit exposures be improved?

EACH response:

If the regime to be set works well, it should move part of OTC volumes to become CCP-cleared; the remaining bilateral contracts most probably will have a complex structure and be tailor-made, and to manage risk efficiently the collateral management should be improved. Daily valuation, exchange of collateral and portfolio reconciliation should all be incentivised in these cases.

In addition, for CCP cleared positions (which will tend to be the more liquid, more standardized positions) an element of the collateralisation covers potential future exposure (ie Initial Margin) as well as current exposure (Variation margin). It seems illogical that the non-standardised positions that are ineligible for clearing and are, typically, less transparent and thus inherently more risky, should be subject to daily valuation only, which is a lower collateral requirement that does not take into account potential future exposure. Although, some collateral is an improvement over no collateral, an inadequate margining approach could give a false sense of security.

(6) Are there markets where daily valuation, exchange of collateral and portfolio reconciliation cannot be the goal? Please justify.

No EACH response

(7) How frequently should multilateral netting be used?

EACH response:

When referring to “multilateral netting”, which here refers to portfolio compression, it is important to recognise that the use of a CCP, which nets obligations with each of its direct participants, is a superior mechanism.

(8) Should bilateral collateral management be left to self-regulatory initiatives or does it need to be incentivised by appropriate legislative instruments?

EACH response:

No - it needs to be incentivised by appropriate legislative instruments to ensure effective collateralisation and ensuring that there is a common understanding of the collateralisation. It is also key from a stability point of view.

As discussed further below, under Defining CCP Eligible Contracts, we caution against encouraging a regulatory environment that provides incentives *not* to clear, i.e. towards bilateral clearing where full collateral for potential future exposures is not provided.

Consideration should be given to requiring additional capital to be held if collateral for potential future exposures – akin to a CCP’s initial margin – for bilaterally-„cleared“ positions is not held, especially as these are likely to contain only the more complex – “unclearable” or “illiquid” – derivatives.

(3) Enhancing the use of central data repositories

The value proposition of clearing houses includes the automation of transaction processing, which increases the efficiency of market operations and reduces the likelihood of manual errors. There is a significant trend to use electronic straight through processing services for OTC derivatives which have capitalised on the industry efforts already achieved: the development of master agreements and shared procedures, inter-professional auction processes, and the central depository role for several instruments. OTC derivative market segments where post trade processing is still largely performed manually and not commonly captured in a trade information warehouse are prone to unsystematic errors.

Central counterparty clearing houses are acting as a key element, together with other market infrastructures and service providers, of an integrated and efficient post-trade process, which serves to increase market efficiency by improved market operations with standardised, electronic processing of transactions. Given that, CCPs are able to play the role of a central data repository. Today in some markets CCPs are offering the function of transaction processing only without adding the risk management function to the market (e.g. for securitized derivatives). So speaking about central data repositories in this section should always keep in mind that this function can be undertaken by a CCP too.

In the case of competing data repositories and/or CCPs, each acting as a data repository, there is no single central data repository. To enable market participants to have a choice between competing CCPs and/or data repositories coordination and cooperation is required between these post trade service providers.

(9) Are there market segments for which a central data repository is not necessary or desirable?

EACH response:

This depends on the regulatory rationale for requiring use of a repository and the consequent impact on firms. There is no single view amongst EACH members as to whether CCP-cleared contracts should be reported to a central data repository as well. On one hand there is the view that all OTC derivatives that are not subject to exchange rules should be reported to a single repository for each asset class. Others hold the view that the CCP's own clearing system itself can fulfil the necessary functions and provide users and supervisors with the services they need.

(10) Which regulatory requirements should central data repositories be subject to?

EACH response:

In principle, repositories should be subject to the same prudential standards as other financial infrastructure, e.g. payment, clearing and settlement systems. For example, they should be subject to at least the same standards as described in the ESCB-CESR Recommendations covering the legal framework, operational risk, governance, access, efficiency, communications, and transparency. Clearly the nature of a repository may be different to a CCP (in that it is not a party to the trades lodged within it) so not all aspects of the standards may be applicable.

Depending on the ultimate scope of such repositories and the requirements placed on them by supervisors, we think it equally important that supervisors respect certain standards including ensuring that they retain adequate skills and competencies in order to interpret the information available to them and to prevent the inappropriate use of such data. As a matter of principle, greater powers of scrutiny (“full and unimpeded access” require greater degrees of justification.

(11) What information should be disclosed to the public?

EACH response:

Positions at aggregated levels, and fully anonymised, may be disclosable. No information should be made available to the public from which any inference could be drawn about any participant’s market positions. Within the boundary of aggregated/anonymized concept, it should be possible to provide data along various dimensions (for example, by currency, by jurisdiction, etc). We would expect supervisors to set standards using precedents already set in other markets. It is important to preserve the public’s trust that supervisors have appropriate information and that publication of data is not seen as an alternative. Some aggregated information is already made available by BIS and ISDA.

(4) Move Clearing of standardized OTC derivatives to CCPs

Defining CCP eligible contracts

There is a misconception underlying the discussion in the Consultation. This states that “Moving to a CCP may ... imply higher margins” because “the CCP applies margin multilaterally per product range cleared” whereas “Under bilateral clearing, margins are applied to the portfolio of all products with a particular counterparty.”

This presumably refers to the practice whereby under a master agreement, two dealers will collateralise net exposures across a range of asset classes, while many CCPs will calculate initial margins separately for OTC derivatives, exchange-traded derivatives, fixed income, and equities.

We should point out first of all that it is perfectly feasible for a CCP that is clearing multiple asset classes to calculate collateral requirements – for current exposures – on a net basis across asset classes. Where there is some logic in the Commission’s argument, this arises because in order to be “fully collateralised” a CCP will require provision *and maintenance* of initial margin³ which is held to collateralise *potential future exposure*, which is not generally the case in the bilateral market. Some CCPs do indeed apply margin “multilaterally per product range cleared”, but this typically refers to initial margin; and, in theory, could apply this on a cross-asset-class basis.

In general, however, the additional margin required from a participant to collateralise potential future exposure will be offset by the reduction in collateral required by a CCP through netting of exposures arising from that participant dealing with multiple other market participants. We do not believe it should be a policy goal to preserve the accumulation of uncollateralised potential future exposure.

At the same time one must guard against the risks of increasing the demand for scarce good-quality collateral or a degradation in the quality of collateral if all bilateral uncleared exposures are to be fully collateralised at all times.

The other effect which may be in mind is that the extraction of part of a portfolio of derivatives from the totality of a bilateral relationship may increase counterparty exposure as one side is with the CCP while offsetting, or partially-offsetting, positions remain uncleared. This has to be balanced against the improved credit quality of the CCP relationship and should be cited to encourage migration towards, rather than away from, CCPs.

³ Paragraph 2.4.2.1 correctly defines “initial margin” in bilateral arrangements as the collateral posted at the inception of the contract.

(12) Do you agree that the eligibility of contracts should be left to CCPs? Which governance arrangements might be necessary for this decision to be left to the CCPs' risk committees?

EACH response:

Yes, since the CCP assumes the risk associated with the contract. Each CCP will *make its own separate determination, taking into account information such as the product characteristics*, user demand, risk and default management structures, loss-sharing mechanisms and regulatory approvals as described in the introduction. It is possible, and not necessarily wrong, that one CCP may decide that a particular instrument is *not* capable of being cleared, while another CCP decides that it *is*. The fact that any specific CCP decided to offer clearing of a particular instrument cannot be taken as evidence that such a product is therefore suitable for clearing by all CCPs. Since competition may encourage CCPs to attempt to extend their product range into risky areas in order to gain market share (as noted above, the Commission encourages competition between CCPs, citing the G20 and de Larosière reports, in its accompanying report), supervisors must be especially vigilant.

As described above, CCPs' risk management policies and structures typically serve to channel residual risks arising from a user's insolvency in differing proportions between a) the failed user itself b) surviving users and c) the CCP's shareholders. Therefore a CCP's governance process should enable appropriate representation of all parties who would bear any share in the risk. Risk committees of CCPs do not need a specific governance provision. As they do now, they will accept products that they can evaluate and for which they can control risks. Moreover, in accordance with internationally-agreed CPSS-IOSCO and ESCB-CESR Recommendations, any change to a CCP's overall risk-sharing structure must be notified to all users and made public.

Incentives to use CCP clearing

(13) What additional benefits should the CCP provide to secure a broader use of its services?

EACH response:

We leave this question for CCPs' potential users to answer.

(14) Is the zero-risk weighting a sufficiently effective incentive for using CCPs across different market segments?

EACH response:

An exposure value of zero for Counterparty Credit Risk (NB not a “a zero-risk weighting”) can be attributed to derivative and other contracts that are outstanding with a CCP. It is not, however, an automatic provision and supervisors can, and do, require in certain cases that capital is maintained in respect of particular CCP exposures.

The availability of the zero requirement supports the migration to CCPs and its absence definitely hinders the migration to a CCP. However it has not generally been the main driver to encourage migration of OTC positions to a CCP.

(15) Should additional requirements, such as appropriate account segregation, be introduced to apply the zero-risk weighting to indirect participants?

EACH response:

Appropriate segregation of positions and collateral of the indirect participants at CCP level would be beneficial to an indirect participant who is exposed to the default of its clearing firm. However, the zero exposure value is justified explicitly by the “full collateralisation” requirement for a CCP, and implicitly by the other characteristics of a CCP that will not apply in the case of intermediaries: these include (to varying degrees in Europe) specific national legal regulatory regimes for CCPs and their designation under the Settlement Finality Directive.

(16) Should bilateral clearing of CCP-eligible CDS be penalised and, if so, to what extent? Is there a need to extend regulatory incentives to clear through a CCP to other derivatives products?

EACH response:

We prefer to talk of creating incentives to clear based on risk considerations rather than “penalising” bilateral clearing. We do not see any reason to limit the incentives specifically to CDSs, they should apply in any case where there is a danger of systemic risks.

(17) Under which conditions should exemptions be granted and by whom?

EACH response:

As noted above, if penalties are contemplated, retail and other entities whose activities pose no systemic risk and/or whose activities in the commodity markets are intrinsically part of their core business should be exempted.

(18) What is the minimum acceptable ratio of CCP cleared/eligible contract? What is the maximum acceptable number of non-eligible contracts?

EACH response:

Ultimately, it is a matter for authorities as to what is “acceptable”. We do not see the need to set an absolute standard, and in fact doing so might drive members to push CCPs to clear unsuitable positions to keep the “ratio” below the threshold.

(19) What statistics need to be provided to regulators to make sure they have all the information necessary to perform their duties?

EACH response:

This is a question for the supervisors.

Ensuring the safety and soundness of CCPs

(20) How could European legislation help ensuring safety, soundness and a level playing field between CCPs?

EACH response:

As regards safety and soundness, we urge the Commission to continue its support for the development of European and global standards which are, however, sufficiently flexible to enable the development of alternative CCP structures while being subject to the most rigorous prudential standards, together with a greater degree of regulatory and supervisory co-operation over infrastructures, aimed at preventing differences introduced by national laws or regulators that may create differences in safety and an unlevel playing field with opportunities for regulatory arbitrage. Associations of supervisors like CPSS-IOSCO and CESR-ESCB, and the industry associations EACH and CCP12, are continuously contributing to develop new and improve existing standards - which worked properly in the past. These work should be continued and we are sure that the future standards for OTC derivatives will assure safety and sophisticated risk management structures.

(5) Increase transparency of prices, transactions and positions

Transparency of trading

(21) Should MiFID-type pre- and post-trade transparency rules be extended to non-equities products? Are there other means to ensure transparency?

No EACH response

Transaction reporting of OTC derivatives

(22) How should transaction reporting of OTC derivatives to competent authorities be envisaged? Should it be extended to all contracts or to certain categories? If so, which ones? Are there other means to ensure that the competent authorities receive the relevant information on OTC derivatives transactions?

No EACH response

Position reporting to competent Authorities

(23) How should position reporting of derivatives to competent authorities be envisaged? Should it be extended to all contracts or to certain categories? If so, which ones? Are there other means to ensure that the competent authorities receive the relevant information on the exposures to particular contracts?

No EACH response

(6) Move trading to more public trading venues

(24) How can further trade flow be channelled through transparent and efficient trading venues? What would be the appropriate level of transparency (price, transaction, position) for the different derivatives markets?

EACH response: The availability of trading prices and an orderly market, which enables to close out the risks of the positions in case of a member default supports CCP clearing. Trading venues can contribute to this, though ultimately this should be a matter for competition between providers to develop the most efficient execution venue/mechanism that meets the definition of an orderly market

We hope that you have found these comments useful and remain at your disposal for further discussion.

About EACH:

The European Association of Central Counterparty Clearing Houses (EACH), formed in 1991, aims at ensuring that the discussion on clearing and settlement in Europe and globally, are fully informed by the expertise and opinions of those responsible for providing central counterparty clearing services. Members of EACH nominate senior executives specialised in clearing and risk management from European CCPs to share knowledge about developments in central counterparty clearing in Europe.

Published by

European Association of Central
Counterparty Clearing Houses (EACH)

<http://www.eachorg.eu/each/>

August 2009

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