



# Central Counterparties

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# Central Counterparty

- **A central counterparty (CCP) is a clearing house that interposes itself between counterparties to contracts traded in one or more financial markets, becoming the buyer to every seller and the seller to every buyer and thereby ensuring the future performance of open contracts.**



# The form BA 200 - CCPs

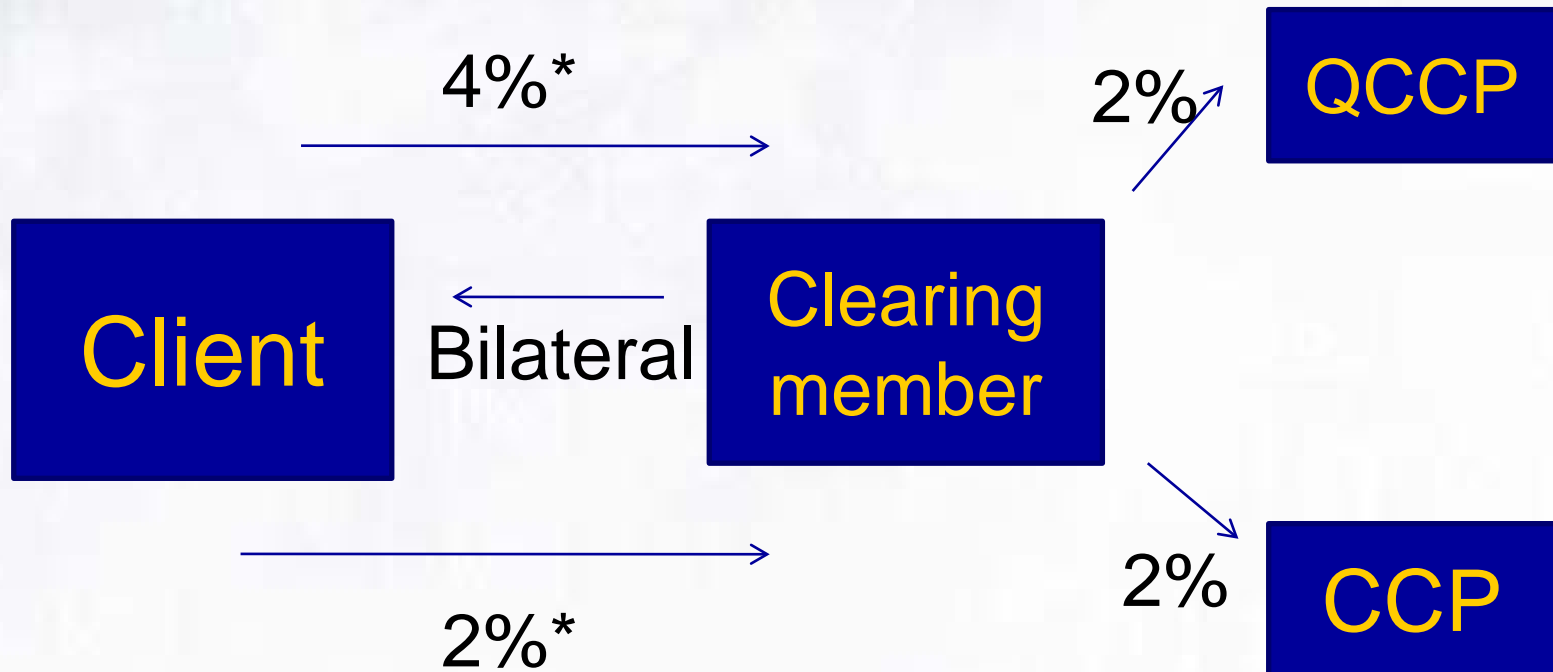
Analysis of central counterparty trade exposure	Line no	Trade exposure	Risk weight	Risk weighted exposure
		1	2	3
Exposures eligible for a 2% risk weight	100		2%	
Exposures eligible for a 4% risk weight	101		4%	
Exposures eligible for a <b>bilateral risk weight</b>	102			
<b>Total central counterparty exposures (total of items (100 to 102))</b>	103			

Qualifying central counterparty default fund guarantees	Line no	Initial margin collateral posted with the CCP	Prefunded default fund contribution	Trade exposure	Risk weighted exposure
		1	2	3	4
Total (Specify)	104				
	105				

Non-qualifying central counterparty default fund guarantees	Line no	Prefunded default fund contribution	Unfunded default fund contribution	Risk weighted exposure
		1	2	3
Total (Specify)	106			
	107			



# Overview



\*Provided certain conditions are met.

# Analysis of central counterparty trade exposure

- ***Clearing member exposures to CCPs - Reg 23(15)(d)(i)***
- **Where a bank acts as a clearing member of a CCP for its own purposes, a risk weight of 2% must be applied to the bank's trade exposure to the CCP in respect of OTC derivatives, exchange traded derivative transactions and SFTs. (subject to provisions of paragraph (v))**
- **Where the clearing member offers clearing services to clients, the 2% risk weight also applies to the clearing member's trade exposure to the CCP that arises when the clearing member is obligated to reimburse the client for any losses suffered due to changes in the value of its transactions in the event that the CCP defaults.**



# Analysis of central counterparty trade exposure

- *Clearing member exposures to clients*  
*Reg 23(15)(d)(ii)*
- **The clearing member will always capitalise its exposure (including potential CVA risk exposure) to clients as bilateral trades, irrespective of whether the clearing member guarantees the trade or acts as an intermediary between the client and the CCP.**



# Analysis of central counterparty trade exposure

- ***Client exposures : \*23(15)(d)(iii)(A) to (C)***
- **Where a bank is a client of a clearing member, and enters into a transaction with the clearing member acting as a financial intermediary (i.e. the clearing member completes an offsetting transaction with a CCP), the client's exposures to the clearing member may receive a risk weight of 2 % if certain conditions are met\***
- **Likewise, where a client enters into a transaction with the CCP, with a clearing member guaranteeing its performance, the client's exposures to the CCP may receive similar treatment if certain conditions are met.\***



# Analysis of central counterparty trade exposure

- **When all the conditions and requirements specified in the preceding items (A) to (C) are met, but the client is not protected from losses in the case that the clearing member and another client of the clearing member jointly default or become jointly insolvent, the bank shall apply a risk weight of 4 per cent to the relevant client's exposure to the clearing member.**

