

## **INTERST RATES CCP PLAIN LANGUAGE SUMMARY PURPOSE AND OUTLINE**

### **I. Purpose of the Plain Language Summary**

The completion of Plain Language Summaries (PLSs) by OTC derivatives central counterparties (CCPs) is an initiative of the OTC Derivatives Regulators' Forum. The purpose of this PLS is to provide interested regulators with a clear and comprehensive description of the operations of and services being provided by OTC derivatives CCPs. While much of this information is already contained in various published/unpublished documents, the value of this PLS is in consolidating this information in one place and providing appropriate interpretation and context.

The outline for this PLS details the information sought, and covers a range of issues including legal and regulatory regimes, corporate governance, services provided, risk management and interdependencies with other infrastructures and service providers. These are all issues of interest to regulators of OTC derivatives CCPs, given the global nature of OTC derivatives markets and the increasingly global user base of the CCPs serving these markets.

### **II. Outline of the Plain Language Summary**

#### **1. Introduction**

- 1.1 Purpose of the Plain Language Summary
- 1.2 Executive summary
- 1.3 Short description of the organization of the CCP
  - 1.3.1 Legal structure / jurisdiction
  - 1.3.2 Corporate governance structure
  - 1.3.3 Oversight and regulatory framework
- 1.4 Legal documentation
  - 1.4.1 Arrangements between CCP and its members
  - 1.4.2 Outsourcing arrangements
  - 1.4.3 Arrangements with other infrastructures or service providers
- 1.5 Terminology

#### **2. Organization's Services**

- 2.1 Services and eligible products account structure
- 2.2 Customer protection
  - 2.2.1 Segregation of margin
  - 2.2.2 Portability
- 2.3 Investment policy
- 2.4 Transaction submission and processing
- 2.5 Money settlement procedures
- 2.6 Operational timeline, including processing of transactions and money settlements
- 2.7 Dispute resolution
- 2.8 Information made available by the CCP
  - 2.8.1 To members
  - 2.8.2 To authorities
  - 2.8.3 To the public

#### **3. Risk Management**

- 3.1 Risk committees / Boards / Risk departments
  - 3.1.1 Roles and responsibilities
  - 3.1.2 Composition
- 3.2 Membership criteria
  - 3.2.1 Membership criteria – financial, default fund deposit, operational, regulatory / legal, other
  - 3.2.2 Ongoing monitoring and management of member’s compliance with criteria
- 3.3 Margin requirements
  - 3.3.1 Initial margin model
  - 3.3.2 Mark-to-market margin
  - 3.3.3 Other
  - 3.3.4 Collateral accepted
- 3.4 Default fund
  - 3.4.1 Determination of fund size
  - 3.4.2 Determination of clearing member contribution
  - 3.4.3 CCP’s funds contributed to default fund or otherwise reserved for use in loss situation
  - 3.4.4 Frequency of recalculation and review of parameters / fund size
  - 3.4.5 Collateral accepted
  - 3.4.6 Emergency assessments
  - 3.4.7 Other
- 3.5 Stress testing
  - 3.5.1 Methodology
  - 3.5.2 Use of stress testing results
- 3.6 Other risk controls
  - 3.6.1 Position limits
  - 3.6.2 Watch lists
  - 3.6.3 Other risk controls
- 3.7 Managing risk arising from a credit event
- 3.8 Information / reports used by the CCP for risk management
  - 3.8.1 Intra-day monitoring
  - 3.8.2 Daily monitoring
  - 3.8.3 Longer term monitoring

#### **4. Failure Management**

- 4.1 Overview and purpose
- 4.2 Procedures for monitoring and managing a distressed member before a default
- 4.3 Procedures for orderly exit of a participant before a default
- 4.4 Procedures when a default occurs
  - 4.4.1 Declaration of default
  - 4.4.2 Notification of default
  - 4.4.3 Handling of proprietary positions
  - 4.4.4 Handling of customer positions

#### **5. Connectivity with Other Infrastructure and Service Providers**

- 5.1 Trading and confirmation platforms
- 5.2 Payment systems
  - 5.2.1 Payment messaging system

- 5.2.2 Payment settlement system (margin and default fund contributions)
- 5.2.3 Payment settlement system (coupon payments)
- 5.2.4 Backup arrangements
- 5.3 Data repositories
- 5.4 Other central counterparties and central securities depositories
  - 5.4.1 Other central counterparties
  - 5.4.2 Other central securities depositories
- 5.5 Data providers
  - 5.5.1 Pricing data – providers of data and operational process of obtaining data
  - 5.5.2 Other data providers
- 5.6 Other data provider

**6. Business Continuity Procedures**

- 6.1 Events disrupting clearance and other related processing
  - 6.1.1 Business continuity management plans
  - 6.1.2 Backup arrangements
- 6.2 Testing procedures of critical systems / backup arrangements
- 6.3 Procedures to resume operations

**Appendices**