

CDS 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 While much of this information is already contained in various published/unpublished documents, the value of this PLS is in consolidating this information in one place and providing appropriate interpretation and context.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

2. Organization's Services

- 2.1 Users of the CCP's services
 - 2.1.1 Direct clearing members
 - 2.1.2 Indirect clearing members
- 2.2 Services and eligible products
- 2.3 Customer protection
 - 2.3.1 Account structure
 - 2.3.2 Segregation of margin
 - 2.3.3 Portability
- 2.4 Investment policy
- 2.5 Transaction submission and processing
- 2.6 Money settlement procedures
- 2.7 Operational timeline, including processing of transactions and money settlements
- 2.8 Procedures following a credit event
- 2.9 Dispute resolution
- 2.10 Information made available by the CCP
 - 2.10.1 To members
 - 2.10.2 To authorities
 - 2.10.3 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, guarantee fund deposit, operational, regulatory/legal, other
 - 3.2.2 Ongoing monitoring and management of members
- 3.3 Overall description of risk methodology/model
- 3.4 Margin requirements
 - 3.4.1 Initial margin
 - 3.4.1.1 Initial margin calculation
 - 3.4.1.2 Coverage of initial margin
 - 3.4.1.3 Testing of margin adequacy
 - 3.4.2 Mark-to-market margin
 - 3.4.3 Other
 - 3.4.3.1 Intraday margin – calculation, trigger points and frequency
 - 3.4.3.2 Other margin components
 - 3.4.4 Collateral accepted
- 3.5 Guaranty fund
 - 3.5.1 Determination of fund size
 - 3.5.2 Determination of clearing member contribution
 - 3.5.3 CCP's funds contributed to guarantee fund or otherwise reserved for use in loss situation
 - 3.5.4 Frequency of recalculation and review of parameters/fund size
 - 3.5.5 Collateral accepted
 - 3.5.6 Emergency assessments
 - 3.5.7 Other
- 3.6 Stress testing
 - 3.6.1 Methodology
 - 3.6.2 Use of stress testing results
- 3.7 Other risk controls
 - 3.7.1 Position limits
 - 3.7.2 Watch lists
 - 3.7.3 Other risk controls
- 3.8 Managing risk arising from a credit event
- 3.9 Information/reports used by the CCP for risk management
 - 3.9.1 Intraday monitoring
 - 3.9.2 Daily monitoring
 - 3.9.3 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
 - 4.4.5 Procedures for beginning operations on day following default
- 4.5 Legal support for liquidating defaulter's positions and transferring customer collateral and positions
- 4.6 Liquidity risk controls/procedures
 - 4.6.1 General controls/procedures
 - 4.6.2 Back-up liquidity facilities
 - 4.6.3 Access to central bank liquidity

4.7 Loss allocation

5. Connectivity with Other Infrastructures and Service Providers

5.1 Trading and confirmation platforms

5.1.1 Trading and confirmation platforms acceptance policy

5.1.2 Trading and confirmation platforms currently connected/approved

5.2 Payment systems

5.2.1 Payment messaging system

5.2.2 Payment settlement system (margin and guarantee fund contributions)

5.2.3 Payment settlement system (credit event/coupon payments)

5.2.4 Backup arrangements

5.3 Data repositories

5.4 Other central counterparties

5.5 Central securities depositories

5.6 Data providers

5.6.1 Pricing data – providers of data and operational process of obtaining prices

5.6.2 Other data providers

5.7 Other

6. Outsourcing

6.1 Description of functions outsourced

6.2 Legal arrangements underpinning outsourcing

6.3 Systems and controls for managing outsourcing

7. Business Continuity Procedures

7.1 Events disrupting clearance and other related processing

7.1.1 Business continuity management plans

7.1.2 Backup arrangements

7.1.3 Testing procedures of critical systems/backup arrangements

7.2 Procedures to resume operations

Appendices