

3rd Annual

Impact of CCP Risk and Initial Margin on Counterparty Risk Management

Strategic risk management to minimise the implications of CCP default and bilateral initial margin rules of CCR

London Marriott Hotel Canary Wharf, UK

22nd – 24th May 2019

Effective **management** of **initial margin** does not just mean accurate modelling alone but also **smart portfolio decisions**





Workshop on 22nd May 2019

Counterparty risk management in the wider risk framework: FRTB-CVA

Led by:

Nicolas Cerrajero

Head of Counterparty Risk Methodologies

Deutsche Bank

Attending This Premier **marcus evans** Conference Will Enable You to

- **Manage** exposure to CCP risk through strategic risk management decisions in CCR
- **Understand** the implications of initial margin reforms for CCR
- **Understand** the margin and capital costs of CCPs and IM, and relating this back to CCR
- **See** what clearing activities will look like following Brexit

Learn from Key Practical Case Studies

- **Caixabank** display their method to managing CCPs
- **DNB Markets** dissect the implications of a real world CCP default
- **Natixis** offer a close examination of the SIMM
- **ECB** showcase challenges in reflecting initial margin inside CCR
- **LCH** offer insight into their plans as Brexit decisions unfold

Who Should Attend

From Bank, Heads of:

- Counterparty Risk Management (CCR)
- Counterparty Exposure Management (CEM)
- CCP Risk
- Collateral Management/Initial Margin

Media Partners



In the Chair

Chetan Joshi

UMR Brexit Delivery

Standard Chartered

Expert Speaker Panel

Eric Salomon

Head of Counterparty

Credit Risk Projects

Natixis

Hansjorg Schmidt

Principal Supervisor, Internal Models

Counterparty Risk

European Central Bank

Mourad Berrahoui

Head of Counterparty and Credit

Risk Modelling

Lloyds Banking

Nicolas Cerrajero

Head of Counterparty

Risk Methodologies

Deutsche Bank

Alejandro Gisbert

Head Research Country Risk
and Financial Counterparty Risk

Caixabank

Anders Oksendal

Risk Advisory

DNB Markets

Nicholas Lincoln

Head of Market Risk

LCH

Rafael Plata

Secretary General

EACH

Bravo Bessa

Head of Strategic Initiatives

Credit Suisse

Maurizio Garro

Senior Audit Manager – Market,
Credit and Model Risk

Lloyds Banking Group

Vladimir Chorniy

Senior Technical Lead

BNP Paribas

Julian Eberhardt

Counterparty Credit Risk

DZ Bank

Chetan Joshi

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Ben Konaré

Deputy Head of Regulation
and International Institutions
Division - Resolution Directorate

Banque de France

Phil Hermon

Senior Director, OTC Products

CME Group

Udesh Jha

Executive Director, Global head
of Risk Research

CME Clearing

Alexander Jacobs

Head of OTC Clearing

ABN Amro Clearing

08.30 Registration and Coffee

09.00 Opening Address from the Chair

STRATEGIC RISK MANAGEMENT OF EXPOSURE TO CCP RISK

09.15 **Case Study**

How banks are managing exposure to CCPs

- Understand how to capture the risk arising from the default of a CCP
- How global banks with operations in US have conducted US stress tests assessing CCP default
- Examine the default of a major cleared member and its impact on your bank
- Outcome of ESMA's stress tests on all CCPs: What does this mean for banks?
- Monitor margin of a CCP on a contractual basis
- Concentration risk in FX: What happens when the FX market is prevented access from their only viable CCP?

Alejandro Gisbert

Head Research Country Risk and Financial Counterparty Risk
Caixabank

10.00 **Dissect the implications of a real world CCP default**

- Understand what happened in the Nordic market when a CCP went under resolution
- Assess the knock on effect a CCP default had on banks
- Lessons learnt: How should banks ensure they are not vulnerable to a CCP defaulting

Anders Oksendal

Risk Advisory
DNB Markets

10.30 **Refreshme**

11.15 **Case Study**

Margin call: Optimisation possibilities and realities

- Initial margin models: Current models and plans for evolution across Futures and OTC cleared swaps
- Portfolio margining of swaps versus futures: How do banks use this today and how do we see this changing
- Optimisation and exposure management: Tools, opportunities and potential solutions

Phil Hermon

Senior Director, OTC Products
CME Group

Udesh Jha

Executive Director, Global Head of Risk Research
CME Clearing

12.00 **Differing approaches from CCPs on the adoption of IOSCO principles and recovery and resolution guidelines**

- Understand how CCPs have taken on regulatory changes and the implications of this on banks
- Disparity in the rule book: Different CCP approach to auctions, fire drills and how this will impact banks
- What happens when you do not bid, or auction? How is the default contribution affected?
- Should there be a requirement for CCPs to use a capital floor to cover for non-default losses?

Julian Eberhardt

Counterparty Credit Risk
DZ Bank

12.45 Lunch

13.45 **Resolution framework: The second pillar for strengthening CCP resilience**

- How to implement the NCWO principle?
- Consequences for clearing members in terms of compensation
- Adequacy of CCP financial resources : What are the available options? What possible impact for clearing members?
- How to assess the adequacy of CCP financial resources (included non prefunded resources). There is no free lunch
- Which treatment for CCP equity in resolution?

Ben Konaré

Deputy Head of Regulation and International Institutions Division - Resolution Directorate
Banque de France



PANEL DISCUSSION

14.30 **Viability of using CCPs for particular trades**

- LCH-CME basis: Monitor the difference between the price of the trade when using LCH and CME as a CCP
- How can banks be opportunistic by working out which CCP is best to use in any given case?
- Take advantage of the small differences and not only the big, disparaging difference between CCP costs
- What is the impact on compression of a cleared trade and how will this impact balance sheet?

Alejandro Gisbert

Head Research Country Risk and Financial Counterparty Risk
Caixabank

15.15 **Refreshme**

15.45 **Is there a risk of default for central counterparties?**

- Analyse whether a CCP is able to default
- Consider who would take the lead in case of a default
- When would resolution be triggered?
- Using available resources in the right order in the case of resolution
- Is it worth modelling for such a catastrophic event?

Rafael Plata

Secretary General
EACH

16.30 Closing Comments from Chair and End of Day One

Friday 24th May 2019

08.30 Registration and Coffee

09.00 Opening Address from the Chair

IMPLICATIONS OF INITIAL MARGIN REFORM FOR CCR

09.15 **Close examination of the model used to calculate initial margin: SIMM**

- ISDA SIMM: Integrate risk, risk manage cleared platforms and capture market movements and risk of cash flow
- Requirement and challenge of back testing initial margin models
- Regulatory requirements for recognition of initial margin in IMM
- What are the challenges in getting regulatory approval for initial margin in IMM for OTC and listed derivatives?
- How banks are catalysed to look at IMM by TRIM: Stochastically model initial margin

Eric Salomon

Head of Counterparty Credit Risk Projects
Natixis

10.00 **Challenges in reflecting initial margin inside counterparty credit risk**

- CCR framework to reflect margining
- Challenges of an undisclosed IM methodology for clearing members regarding client IM
- Considerations about validation of central and bilateral IM reflected inside an IMM

Hansjorg Schmidt

Principal Supervisor, Internal Models Counterparty Risk
European Central Bank

10.45 **Refreshme**

11.15 **Examine the internal model and SACCR**

- Dynamic initial margin and its impact on counterparty credit risk
- Potential future exposure and counterparty risk RWA
- Pricing MVA: What is the best approach?

Bravo Bessa

Head of Strategic Initiatives
Credit Suisse

12.00 **Case Study**

Impact of initial margin under BCBS 261 (Uncleared Margin Rules - UMR) on counterparty risk

- How does initial margin fit into the UMR compliance wheel of pain
- What are the current initial margin numbers in circulation for uncleared trades
- Key milestones in a typical IM project implementation plan
- Highlight key challenges with initial margin models (SIMM versus regulatory schedule grid)
- Initial margin model governance and escalation

Chetan Joshi

UMR Brexit Delivery
Standard Chartered

12.45 Lunch

MANAGE THE MARGIN AND CAPITAL COSTS OF CCPS AND IM



PANEL DISCUSSION

13.45 **Pricing in the cost initial margin: Is MVA the most appropriate way?**

- Real world example of MVA and how it works in practise
- Why banks are not progressing with MVA: Challenge of knowing who to charge, and modelling issues such as IPV
- Time taken to calculate a single MVA for one exotic instrument
- The alleged SIMM-MVA: Quicker algorithmic technique to calculate MVA based on the SIMM model
- Should banks apply funding costs in a simple way: What is the best answer to posting initial margin?

Mourad Berrahoui

Head of Counterparty and Credit Risk Modelling
Lloyds Banking

Nicolas Cerrajero

Head of Counterparty Risk Methodologies
Deutsche Bank

Vladimir Chorniy

Senior Technical Lead
BNP Paribas

POST-BREXIT CLEARING ACTIVITIES AND IMPACT ON CCR

14.30 **Case Study**

LCH under the Brexit microscope

- How will regulators supervise London based CCPs after Brexit as the EU framework may no longer be applicable?
- Systematic risk attached to Eurex taking on LCH's EU clearing activity
- Where has the post-Brexit market left LCH?

Nicholas Lincoln

Head of Market Risk
LCH

15.15 **Refreshme**



PANEL DISCUSSION

15.45 **Clearing trends in the post-Brexit market**

- Is Frankfurt the new hub of clearing activity?
- Importance of moving all EU CCP transactions in Euros to German and continental platforms
- How EU banks should look to keep access with London based activities

Maurizio Garro

Senior Audit Manager – Market, Credit and Model Risk
Lloyds Banking Group

Nicholas Lincoln

Head of Market Risk
LCH

Alexander Jacobs

Head of OTC Clearing
ABN Amro Clearing

16.30 Closing Comments from Chair and End of Day One

Interactive Conference Workshop

Counterparty risk management in the wider risk framework: FRTB-CVA

Wednesday 22nd May 2019

13.00 Registration and Coffee

13.30 Workshop Leader's Introduction and Opening Remarks

13.45 **Treatment of CVA in the FRTB framework**

- Recent developments with FRTB-CVA
- Assess FRTB readiness: Change in capital charge under FRTB and how this will modify CVA charge
- Affiliate CCR systems with the new requirements: Decisions around target IT systems
- Change in how regulators are asking banks to calculate RWA using front office sensitivities and impact on systems
- Incremental benefits of optimising and bettering CVA

Nicolas Cerrajero

Head of Counterparty Risk Methodologies

Deutsche Bank

14.45 **Refreshme**

15.15 **SA-CCR adoption around the globe: A contentious topic**

- How the SA-CCR is built into other prudential frameworks: Leverage ratio
- Understand how the SA-CCR is so impactful as it is embedded within other frameworks
- Why the Fed sees the importance of implementing SA-CCR quickly?

16.45 Closing Comments from Workshop Leader

Lead by:

Nicolas Cerrajero

Head of Counterparty Risk Methodologies

Deutsche Bank

About the Media Partners



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