

MONECO FINANCIAL TRAINING

CENTRAL COUNTERPARTY CLEARING

November 29 - 30, 2018
Lecturer: Gary Dunn

Upcoming Seminar

CENTRAL COUNTERPARTY CLEARING

DATES: November 29 – 30, 2018 • PRICE: € 1,400 • LOCATION: Prague, NH Hotel Prague

NEW

An overview of the evolution of OTC Central Clearing, regulatory initiatives, and the implications for the risk landscape.

Objective is for participants to gain an appreciation and understanding of the following topics:

- **The background and evolution of central counterparty (CCP) clearing**
- **CCP margin frameworks**
- **The default management process**
- **The loss allocation waterfall**
- **Key issues including: direct clearing, indirect client clearing, portability, segregation**
- **Other related counterparty risk mitigation tools and their limitations**
- **Systemic risk and extreme tail risk**
- **Can a CCP fail? Some historical examples**
- **Stress Testing a CCP and a recovery and resolution plan**
- **The risk transformations CCPs generate**
- **The implication of CCP clearing for XVA**

This course is intended to provide an appreciation of the evolution of central counterparty clearing particularly in relation to the clearing of OTC derivatives. Particular focus will be given to regulatory initiatives to develop the use of CCPs for OTC derivatives clearing following the financial crisis of 2007/8, the risk mitigation mechanisms developed by CCPs in response to the regulatory challenge in particular the margin requirements, auction processes, loss allocation methods and of course capital requirements.

The course will look at risk transformation processes and the impact on risk that CCPs may have in future crises, both positive and negative, particularly in relation to counterparty credit risk and systemic risk.

The course is intended particularly for risk managers, traders, regulators and anyone involved with clearing systems.

THURSDAY, NOVEMBER 29

09⁰⁰–09¹⁵

Welcome

09¹⁵–12³⁰

Introduction

- Early trading and clearing platforms
- The ETD and OTC derivative markets
- How does a CCP work?
 - Direct clearing, client clearing and indirect clearing
 - Margining
 - Default management process
 - Loss mutualisation
- The 2008 crisis
- Political and regulatory responses, IOSCO and the G20 Clearing Mandate, Dodd Frank, EMIR, OTC regulation, Basel III, IFRS13

Overview of Counterparty Risk

- The nature of Counterparty risk
- Mitigation methods
- How does a CCP help?
 - Netting
 - Trade Compression
 - Margining/default Funds
 - Standards for clearing members
 - Legal certainty
 - Default Management Procedure

12³⁰–13³⁰

Lunch

13³⁰–17⁰⁰

A closer look at Margining

- Variation Margin
 - Obtaining prices for OTC products
- Initial Margin
 - SPAN
 - VaR and Expected Shortfall
 - Stressed Loss Add-Ons
 - SIMM
- Segregation of collateral

A closer look at Default Funds

- Sizing the default fund
- Allocating the default fund to clearing members
- Default Fund versus margining

A closer look at The Default Management Process

- Declaring a default
- Macro Hedging
- The Auction Process
- Client Portability

Case Studies

- LCH
- ICE
- EUREX
- CME

FRIDAY, NOVEMBER 30

09⁰⁰–12³⁰

Loss Allocation

- Defaulter pays principle
- Liabilities of Other clearing members
 - Default fund contributions
 - Powers of Assessment
 - Variation Margin Gains Haircutting
 - Trade tear-up
- CCP wind-up

Capital Requirements for exposures to a CCP

- Background to Pillar 1 capital requirements for market and credit risk
 - Standardised approach and IRB for credit risk capital requirements
- EAD for regulatory capital
 - CEM
 - Standardised Approach for Counterparty Credit Risk (SA-CCR)
 - IMM

- BCBS 282

- CRD2 and CRR

12³⁰–13³⁰

Lunch

13³⁰–17⁰⁰

Can a CCP fail?

- Some historical examples
- Extreme tail risk and systemic risk
- Fire Drills
- Stress Testing a CCP
 - Some thoughts from LCH
- Recovery and Resolution of a CCP
- Risk Transformation, the effects a CCP has on the risk landscape
 - Moral Hazard
 - Wrong-Way Risk
 - Operational Risk
 - Liquidity Risk
 - Interoperability and Systemic Risk
 - Multiple clearing member defaults across multiple CCPs
 - Stress testing CCPs simultaneously

xVAs

- CVA: Credit Valuation Adjustments
 - CVA allocation
- DVA: Debit Valuation Adjustments
 - Accounting and regulatory views of DVA
- BCVA: Bilateral CVA
- FVA: Funding Valuation Adjustments
 - Link between FVA and DVA
- MVA: Margin Valuation Adjustments
- KVA: Capital Valuation Adjustments
- CoVA
 - Discounting
 - Collateral valuation adjustments

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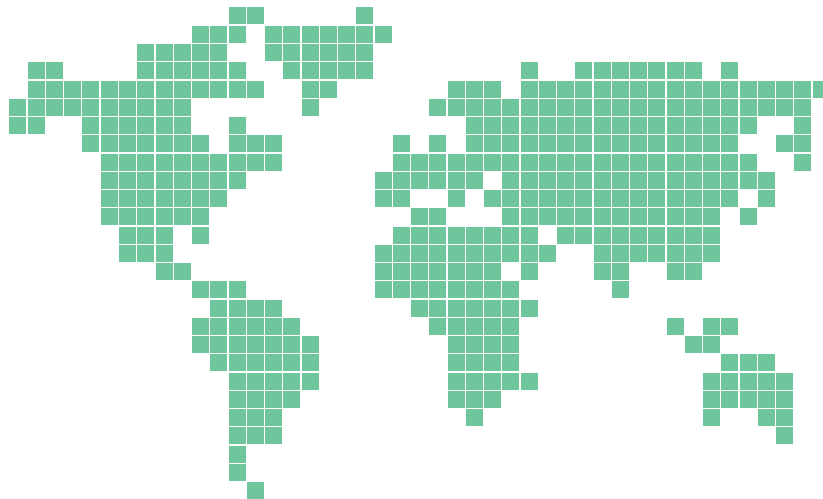
Started out life as a statistician at the Bank of England in 1977 and after a 16-year career there ended up as a senior manager within UK foreign currency reserve management with responsibility for interest rate risk strategy and liquidity management. To aid liquidity management Gary created an internal market for funding between fixed income portfolio managers and the FX desks.

Gary ventured into the private sector where he spent a further 10 years as a proprietary trader.

Gary joined the FSA in 2005 where his main responsibility was reviewing regulatory market risk models (CAD models including VaR and IRC). Whilst at FSA Gary conducted a thematic review of the management of interest rate risk in the banking book (IRRBB) across London based banks. He also attended the AIG/TBG, a BCBS working group responsible for technical design of proposed market risk regulatory capital rules. Gary contributed to the design and calibration of IRC for Basel 2.5 and also wrote internal working papers on VaR, ES and other spectral risk measures which contributed to a review of the academic literature on market risk measures, the first in a long series of FRTB papers from BCBS and industry.

From 2010, as a senior manager at HSBC, Gary participated in many dialogues between industry and regulators covering topics such as FRTB, central clearing, margining, liquidity risk and IRRBB (interest rate risk in the banking book), as well as working on internal projects such as stress testing, IRC development, regulatory interactions and CRD IV submissions. Finally, before moving into consultancy and training, Gary took on an MD role at Morgan Stanley where he was head of risk analytics for the EMEA region.

Now Gary works as a private consultant and trainer.



Knowledge Leads the Way...

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Terms and Conditions of the MONECO Financial Training

MONECO Financial Training

MONECO Financial Training offers a comprehensive programme of English-language seminars, trainings and practical workshops lectured by qualified tutors. Our objective is to provide the industry professionals with advanced financial know-how and up-to-date analytical methods and skills.

Seminar Venue and Accommodation

The bulk of the MONECO seminars are traditionally held at the international four-star NH Prague Hotel in Prague, Czech Republic. Since we are expanding our training activities, we run some selected seminars also in other European destinations. Accommodation is not included in the seminar price, but upon request we are happy to offer you hotel reservations in every of our training destinations at special discounted prices for our valued clients.

Tuition Language

Seminar tuition is in English language, as are all manuals, training software etc. Therefore, in order to benefit from participation, at least a passive knowledge of English, including common financial phrases and related terminology, is required.

Registration

Clients who decided to participate, should submit us in advance a registration for a particular seminar (letter, fax, internet etc.). Subject to availability, the participant will then receive a confirmation of participation. The number of participants is always strictly limited in order to secure an effective and focused learning environment.

Seminar Prices

The quoted seminar prices are per person and include all the training manuals, lunches and refreshments, certification diploma in English and selected software solutions used at the seminar. The price does not include hotel accommodation. Quoted prices are exclusive of local VAT (21 %) "Bundle" prices represent the total fee for participation in mutually related seminars (i.e. "Bundles 3+2, 2+3, 2+2, 3+1, 1+3, 1+2+2 and 2+2+1"). "Bundle" prices are provided in the Calendar of the MONECO Financial Training seminars.

Discounts

Bulk discounts are offered when submitting an application for the participation of more than one person. A 10 % discount is offered when at least two participants from one company register for a seminar or one participant registers at once for two or more seminars. The discounts do not apply for "bundle" prices, as these already represent discounted prices.

Invoicing and Payment

An invoice for the seminar price will be sent to the participants no later than 10 working days prior to the beginning of the seminar. **Full payment of the invoice must be made before the start of the seminar as a precondition of participation.**

Terms of Cancellation

If for whatever reasons a registered participant is unable to attend, a substitute delegate may be appointed to participate instead. For cancellations received 20 days or more before the beginning of the seminar, a 10 % cancellation fee of the full price will be invoiced i.e. 90 % of the price is refunded. **For cancellations received less than 20 days prior to the beginning of the seminar, the full price is payable i.e. no refund will be provided. All cancellations must be in writing.** The organizers of the MONECO Financial Training courses reserve the right to cancel the individual participation or cancel the entire seminar or part of it for whatever unspecified reasons, including possible force majeure. In this case, the price paid will be refunded in full or in part, accordingly.

REGISTRATION FORM

• Central Counterparty Clearing

November 29 – 30, 2018

€ 1,400

COMPANY

Name:

Approving Manager:

Person responsible for training:

Address:

Tax Registration No.: VAT Identification No.:

PARTICIPANTS

1. Title: Name: Phone:
Mr/Mrs/Ms

E-mail: Position:

2. Title: Name: Phone:
Mr/Mrs/Ms

E-mail: Position:

3. Title: Name: Phone:
Mr/Mrs/Ms

E-mail: Position:

Date: Signature: