

MEMORANDUM

TO: File

FROM: Kim Allen

RE: Meeting between OTC Derivatives Regulators Forum (ODRF) members and representatives of certain central counterparties (CCPs) and trade repositories (TRs)

DATE: October 26, 2012

On October 16, 2012, members of the ODRF, including Kim Allen and Katherine Martin of the U.S. Securities and Exchange Commission, met with representatives of six CCP service providers to discuss issues related to central clearing of OTC derivatives.

On October 17, 2012, members of the ODRF, including Kim Allen of the U.S. Securities and Exchange Commission, met with representatives of five TR service providers to discuss issues related to TRs and reporting obligations.

Attached is a list of the ODRF members and CCP and TR representatives attending the October 16 and 17 meetings, proposed discussion items for the CCPs and TRs, and copies of presentations provided by two of the CCPs.

OTC Derivatives Regulators' Forum

16/17 October 2012

List of Registered Attendees

Jurisdiction	Authority	Attendee
Australia	ASIC Reserve Bank of Australia	Oliver Harvey Sarah Harris
Belgium	Financial Services and Markets Authority National Bank of Belgium	Didier Niclaes Steven Van Cauwenberge
Canada	Alberta Securities Commission Autorité des marchés financiers, Québec Autorité des marchés financiers, Québec BC Securities Commission Bank of Canada Ontario Securities Commission	Debra Macintyre Derek West Jean-Philip Villeneuve Michael Brady Darcey McVanel Kevin Fine
European Union	European Commission European Central Bank European Banking Authority European Banking Authority	Muriel Jakubowicz Corinna Freund Benjamin Pott Massimiliano Rimarchi
France	Autorité de Contrôle Prudentiel Autorité des marchés financiers Banque de France Banque de France	Bertrand Lussigny Julien Jardelot Audrey Metzger Olivier Jaudoin
Germany	BaFin BaFin Deutsche Bundesbank Deutsche Bundesbank	Jan Budaeus Christian Weiss Roland Neuschwander Niels Weiffenbach
Hong Kong	Hong Kong Monetary Authority Hong Kong Monetary Authority Securities and Futures Commission	Polly Yuk King Lee Pansy Pang Daphne Doo
International Standard-Setting Groups	IOSCO Committee on Payment and Settlement Systems Committee on Payment and Settlement Systems	Yukako Fujioka Klaus Loeber
Ireland	Bank of Ireland	Can Okay
Italy	Bank of Italy Bank of Italy	Giuseppe Insalaco Domenico Gammaldi Pietro Steconi
Japan	Bank of Japan Japan FSA	Hiroyuki Nishizawa Shoji Furukawa
Korea	Financial Supervisory Service	Jungtae Park
Mexico	Bank of Mexico	Luis De los Santos
Netherlands	De Nederlandse Bank De Nederlandse Bank	Frans Rijkschroeff TT Man
Singapore	Monetary Authority of Singapore	Tiak-Peow Phua
Spain	Banco de España CNMV	Montserrat Jiménez Miguel Ángel Herrero Alvite
Sweden	Finansinspektionen (Swedish Financial Supervisory Authority) Sveriges Riksbank	Jan Axelsson Johanna Stenkula von

Switzerland	Swiss National Bank	Rosen
United Kingdom	Bank of England	Robert Oleschak
	Bank of England	Paul Bedford
	Bank of England	Alison Emblow
	Bank of England	Ana Lasaosa
	Financial Services Authority	David Lawton
	Financial Services Authority	Benjamin Cohn-Urbach
United States	Financial Services Authority	Priyanka Malhotra
	Financial Services Authority	Ben Mitchell
	Commodity Futures Trading Commission	Warren Gorlick
	Commodity Futures Trading Commission	Sebastian Pujol Schott
	Federal Deposit Insurance Corporation	John Feid
	Federal Deposit Insurance Corporation	Petrina Dawson
	Federal Reserve Bank of Chicago	Rebecca Chmielewski
	Federal Reserve Bank of Chicago	Richard Heckinger
	Federal Reserve Bank of New York	Marsha Takagi
	Federal Reserve Bank of New York	Christopher Tsuboi
	Federal Reserve Board	Jennifer Lucier
	Office of Financial Research, Department of the Treasury	Mary Kay Kelleher
	Office of the Comptroller of the Currency	C.J. Smith
	US Securities and Exchange Commission	Kim Allen
US Securities and Exchange Commission	Katherine Martin	

CCP Representatives at CCP Session

CME Clearing		
Europe	CEO	Andrew Lamb
Eurex Clearing AG	Executive Vice President	Marcus Zickwolff
	Senior VP Clearing Business Relations	Alison King
ICE Clear Europe Ltd	Director of Corporate Development	Mark Woodward
Japan Securities Clearing Corporation	Director, Strategic Planning	Takeshi Hirano
LCH Clearnet Ltd	CEO SwapClear	Michael Davie
LCH Clearnet SA	Regulatory Advisor	Perrine Herrenschildt
		Corinna Schempp

TR Representatives at TR Session

CME	CEO - CME Clearing Europe	Andrew Lamb
DTCC DDR (US) LLC	Vice President	Ian McLelland
DTCC Derivatives Repository Limited	President and CEO	Stewart Macbeth
IBERCLEAR	REGIS-TR Department	Maria Carmen Mochon
	REGIS-TR Department	David Retana
ICE Trade Vault	President	Bruce Tupper

OTC Derivatives Regulators' Forum

October 2012 CCP and TR proposed discussion items

Proposed discussion items for CCP Session on Day 1 (16 October 2012)

Part 1

1. General update from the CCPs (i.e. developments and proposals since the last ODRF meeting).
2. CCPs' assessment of the risks (and mitigations to these risks) of client clearing
 - a) Challenges for arranging access to members/clients from non-domestic jurisdictions and potential impediments to access from legal, risk or any other sources?

Part 2

3. Recovery and resolution arrangements for CCPs
4. CCP readiness for the implementation of G20 commitments
5. Plain Language Summaries - Is there information that CCPs would disclose in a PLS (which is solely directed towards participants of the ODRF) but would not want disclosed publicly? Are there changes that could be made to the PLS to make them more useful for regulators?

Proposed discussion items for TR Session on Day 2 (17 October 2012)

Part 1 – Updates and implementation challenges

1. TRs to provide an update on major developments since last ODRF meeting in March 2012. This includes the launch of new services and changes to the market landscape.
2. What challenges have TRs faced in preparing for the implementation of the reporting across multiple jurisdictions? Have the timeframes for implementation been realistic? Have there been inconsistencies in jurisdictions requirements that have caused particular problems in establishing TRs.
3. How have TRs found the readiness of market participants to meet their reporting obligations? Are there particular challenges faced by certain market participants, such as small financial entities or non-financial entities, in reporting to trade repositories (where rules require it)?

Part 2 – The future of TRs

4. What particular challenges have arisen in receiving and aggregating derivatives contracts with TRs? What steps have you taken to ensure that aggregation can be done effectively and efficiently both within but also across TRs? What role do you expect LEIs, Universal Trade Identifiers, and Universal Product Identifiers to play in this aggregation process?
5. The reporting of information about collateral is of key interest to regulators. Can the reporting of collateral be facilitated through the current generation of TRs, or is a different form of repository needed to collect detailed information on collateral?
6. Plain Language Summaries - Is there information that TRs would disclose in a PLS (which is solely directed towards participants of the ODRF) but would not want disclosed publicly? Are there changes that could be made to the PLS to make them more useful for regulators?
7. Are there key issues the TRs would like to bring to the attention of authorities? For those TRs that have engaged with the ODRF TR Subgroups, what has been the value of this engagement, and how could it be improved.



LCH.Clearnet OTC Business Update

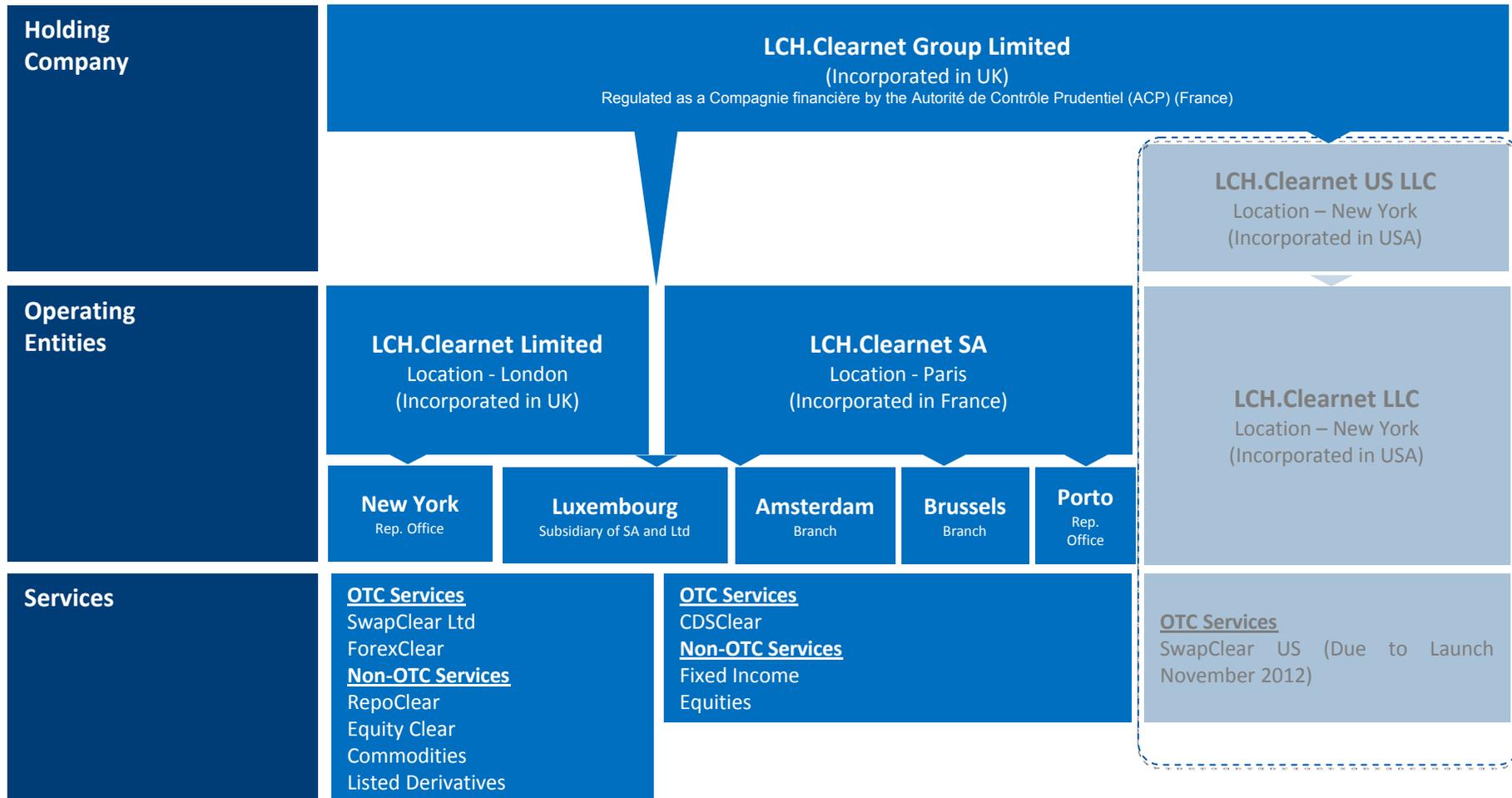
OTC Derivatives Regulators' Forum

16th October 2012

Regulation, Recognition and Oversight

LCH.Clearnet Limited is regulated as a:

- Recognised Clearing House by the UK Financial Services Authority (FSA)
- Derivatives Clearing Organization by the US Commodity Futures Trading Commission (CFTC)



SwapClear business overview

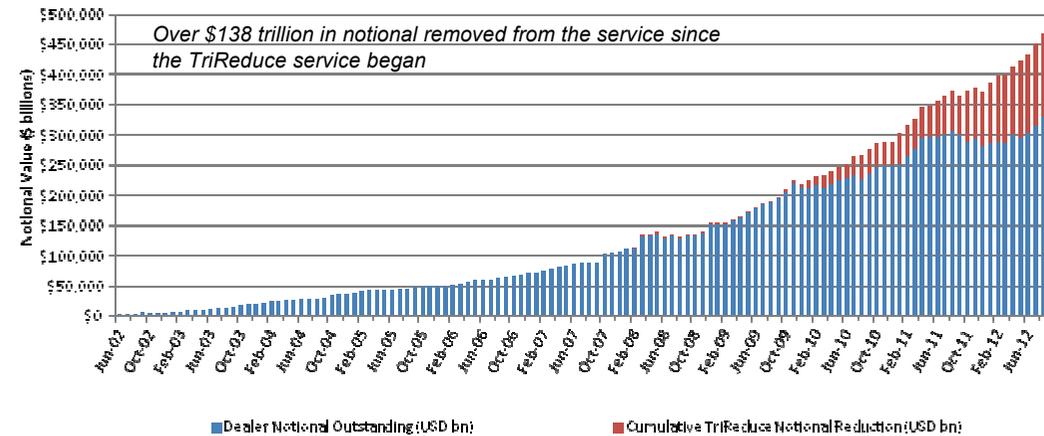
Service

- ▶ Established in September 1999 IRS in 17 currencies with tenors to 50 years
- ▶ Clearing plain vanilla, basis, compounding, zero coupon and amortizing swaps
- ▶ Outstanding notional of \$338 trillion (2012/10)
- ▶ As per BIS survey 53.5% of all outstanding interest rate swaps have LCH.Clearnet as a counterparty
- ▶ SwapClear US CCP scheduled for launch in November

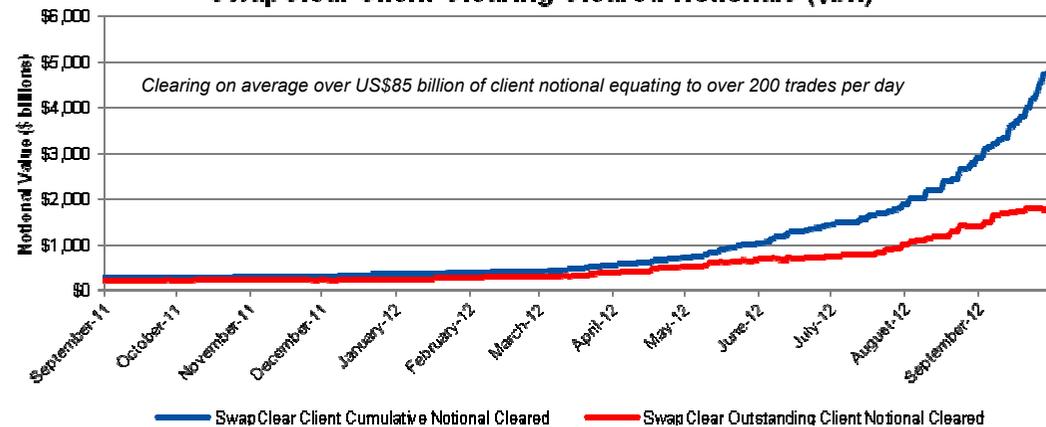
SwapClear Users

- ▶ 105 dealers from 67 clearing members in 42 financial groups
- ▶ European buy-side client clearing service launched in 2009; US FCM model launched in March 2011
- ▶ New clients now actively clearing prior to the clearing mandate

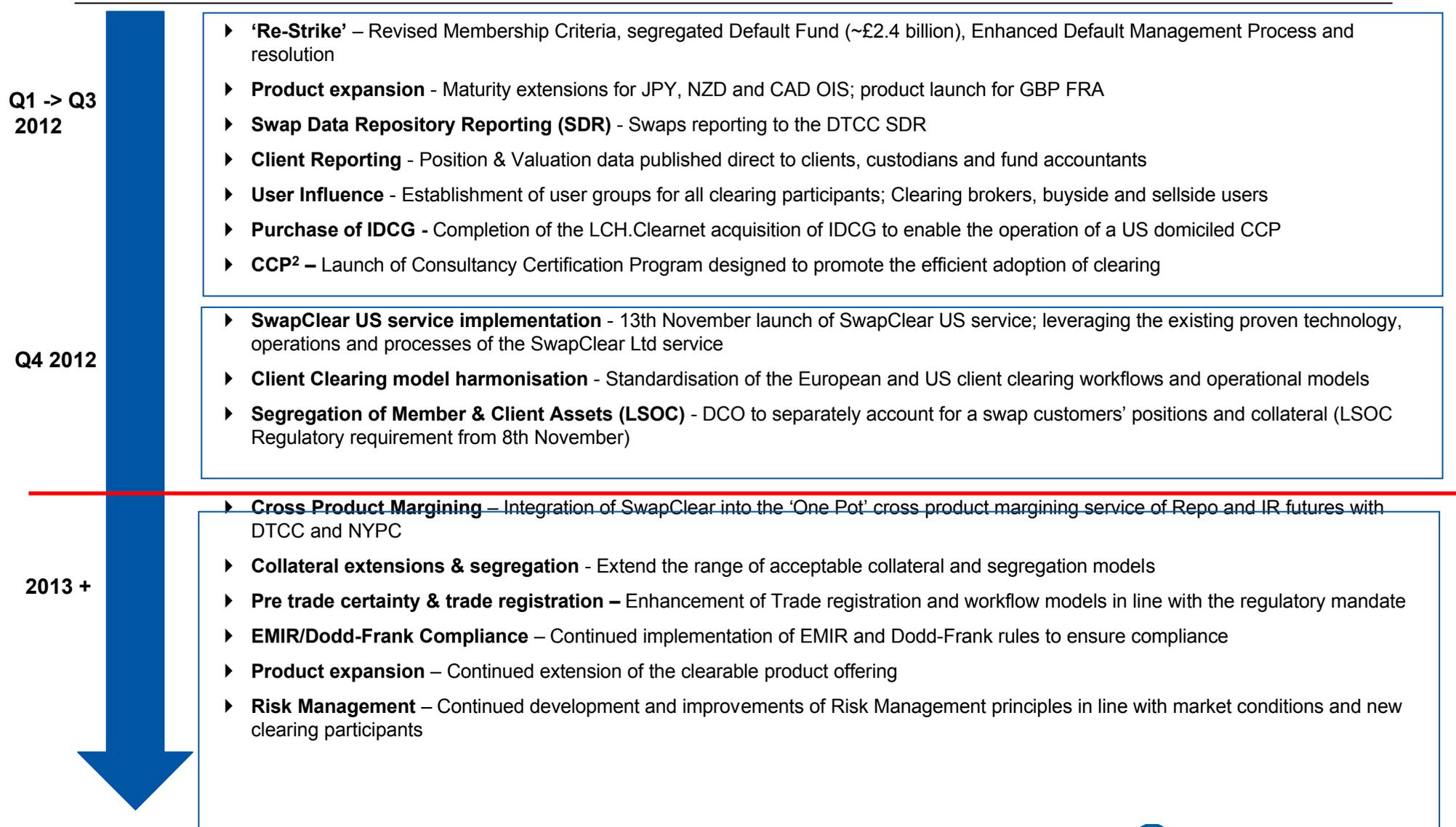
SwapClear Inter-dealer Cleared Notionals (\$bn)



SwapClear Client Clearing Cleared Notionals (\$bn)



SwapClear roadmap



ForexClear Business Overview

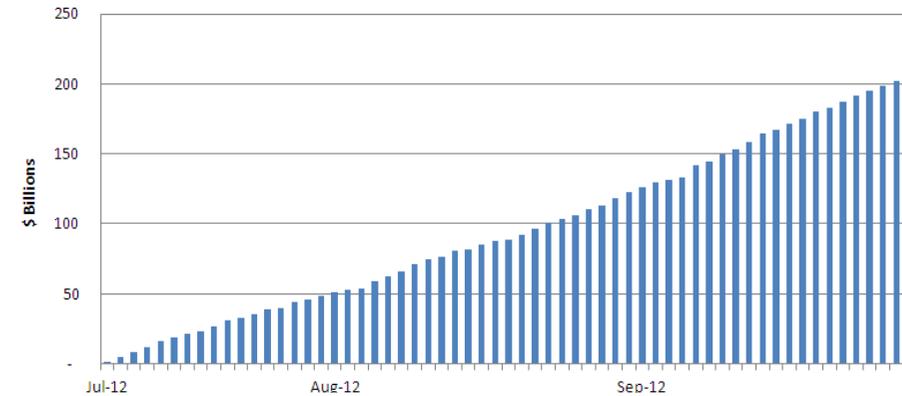
Service

- ▶ ForexClear launched in March 2012
- ▶ Clearing 11 currency pairs vs US\$ giving 95% market coverage – Brazil, Chile, China, Colombia, India, Indonesia, Korea, Malaysia, Philippines, Russia and Taiwan
- ▶ Cleared \$50bn of notional in the first four months.
- ▶ \$240 billion notional and 16,000 trades cleared

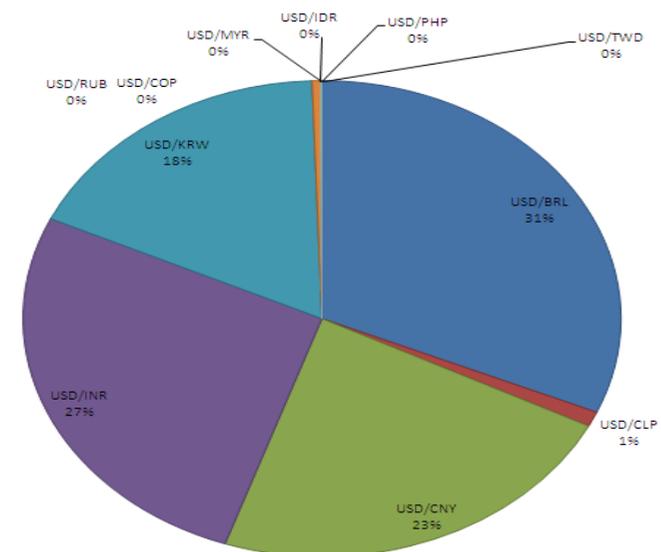
ForexClear Users

- ▶ Fourteen members clearing in joined the service since launch
- ▶ Developing LSOC client clearing functionality for launch Q4 2012, migrating to LSOC with excess end Q1 2013
- ▶ Client service designed with FCM advisory group and FXPB heads

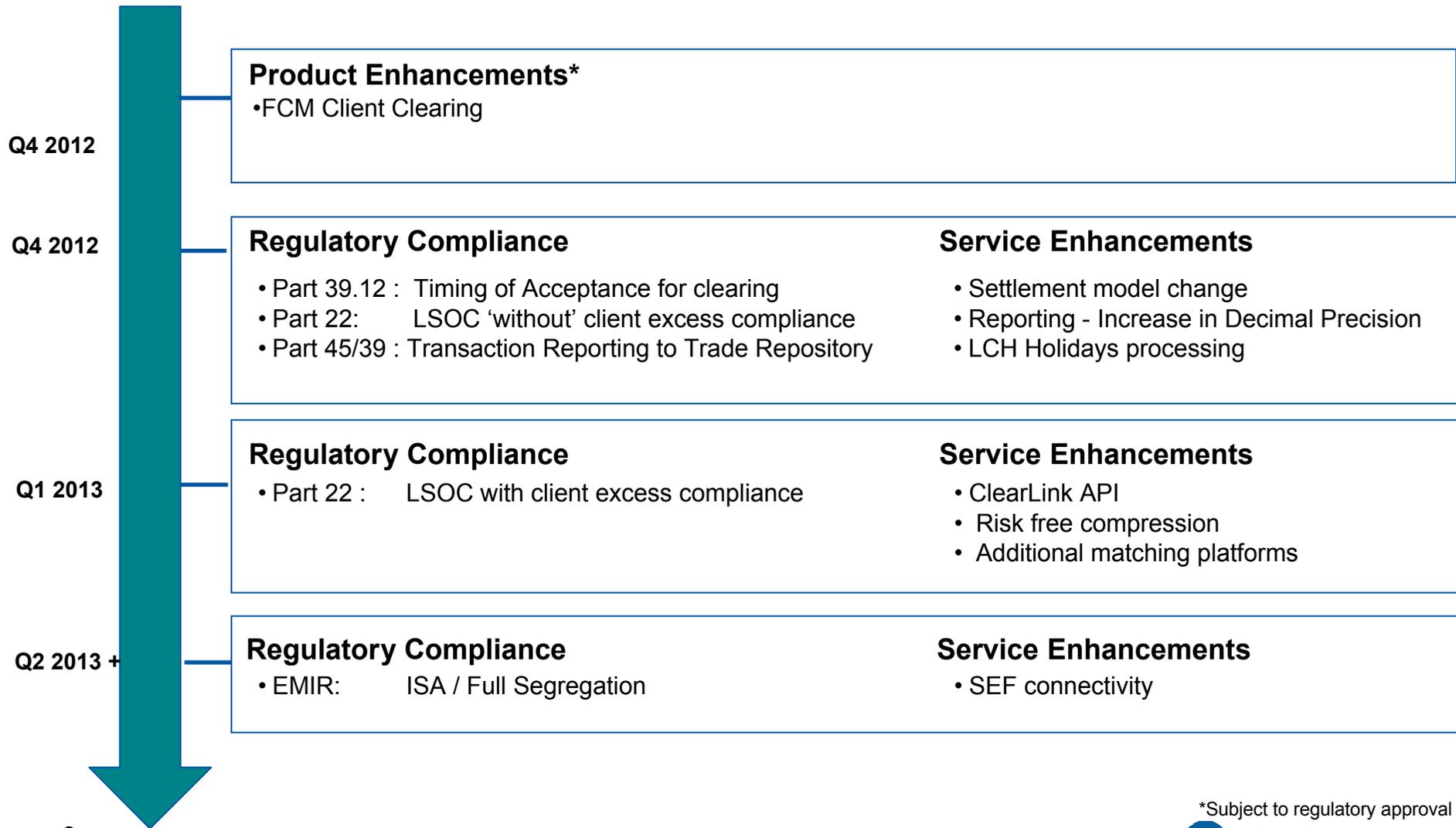
Cumulative Notional Cleared - Past 12 weeks



% of Total Notional by CCY Pair



ForexClear roadmap



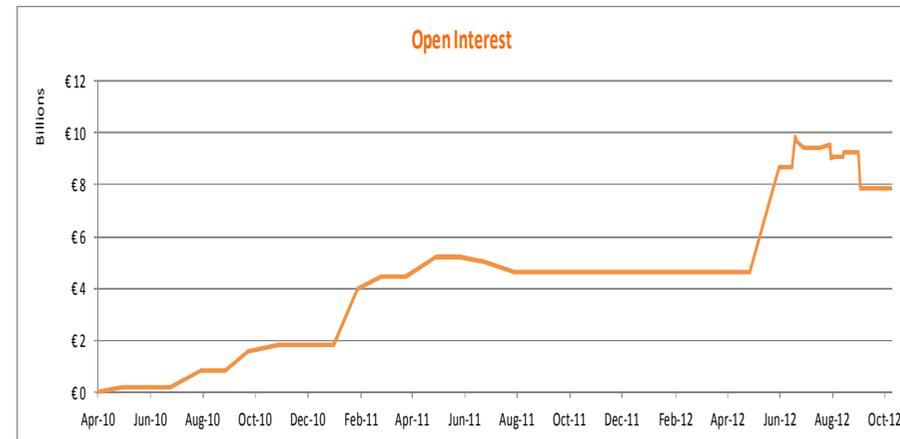
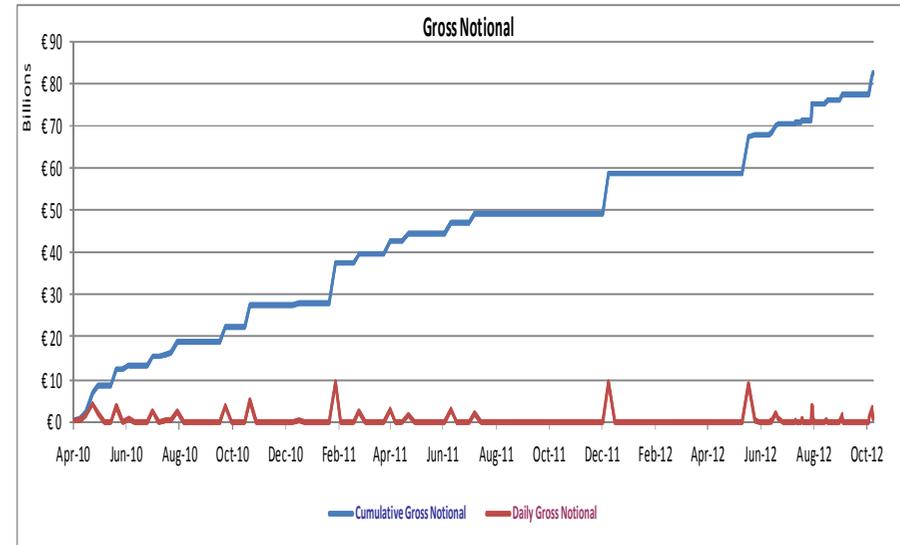
CDSClear business overview

Service

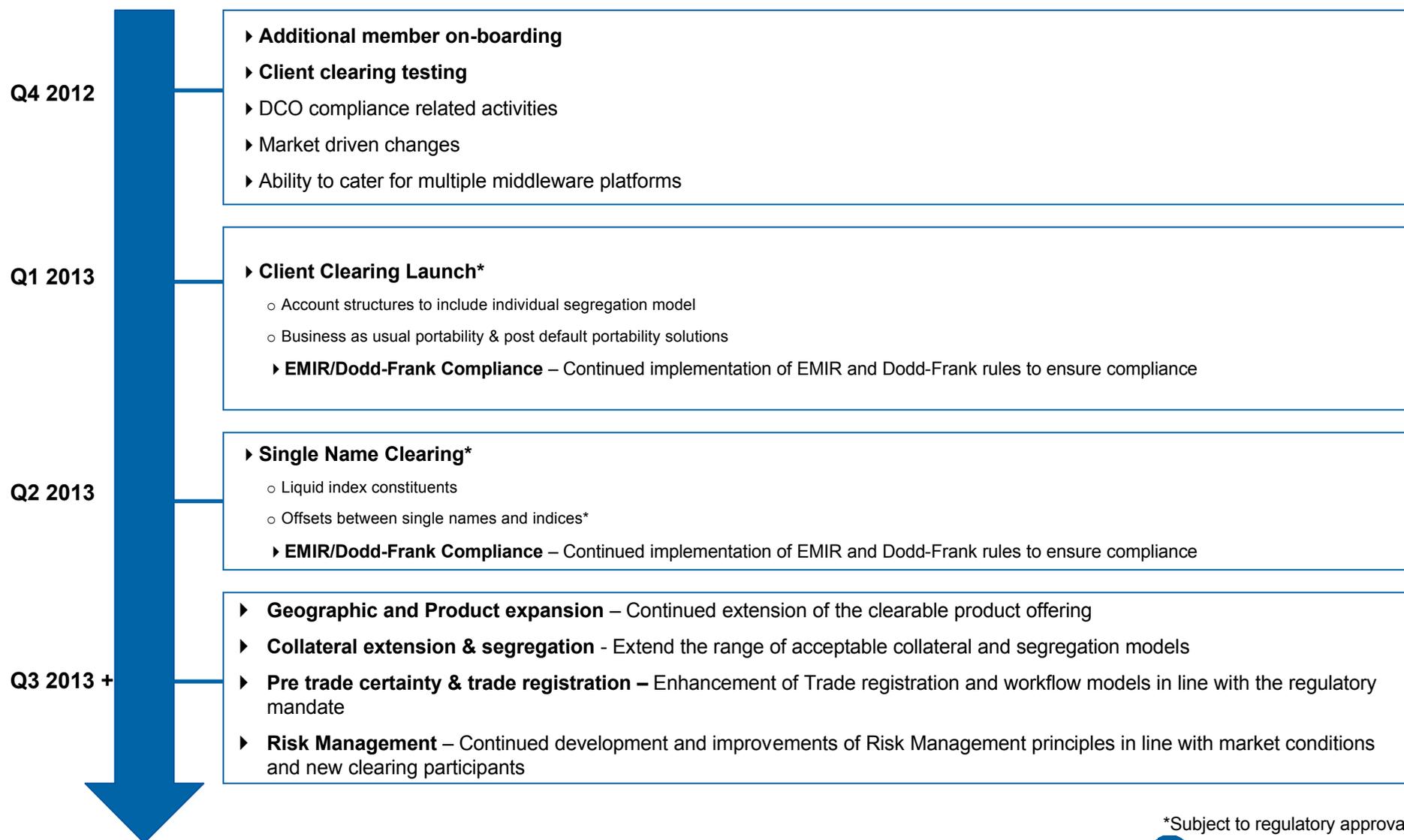
- ▶ Clearing Series 5 and above of the Markit iTraxx Europe, HiVol and Crossover indices across the 3, 5, 7 & 10 year indices
- ▶ International service launched May 2012 with 14 major market making participants
- ▶ Operating within a multi-jurisdictional legal framework across French and English law
- ▶ Implemented credit market appropriate, enhanced default management & resolution solutions in Q2 2012
- ▶ Pledge based collateral management solutions made available in Q3 2012
- ▶ Open Interest up 76% & cumulative gross notional up 43% since launch of the international service

CDSClear Users

- ▶ Client clearing functionality in development for launch Q1 2013 subject to regulatory approval
- ▶ Active dialogue with buy- and sell-side institutions to continually develop service in line with dynamic market and regulatory requirements



CDSClear roadmap



Clearing of OTC Derivatives at Japan Securities Clearing Corporation

16 October, 2012

Takeshi Hirano

Director, OTC Derivatives Clearing Services

Japan Securities Clearing Corporation

DISCLAIMER: This information has been written according to various sources that are believed to be reliable, but Japan Securities Clearing Corporation (JSCC) cannot guarantee its accuracy or integrity. The information referred to within is that which JSCC believes to be correct at the time of printing and is intended for information purposes only. Furthermore, the opinions expressed in this document do not represent those of JSCC.

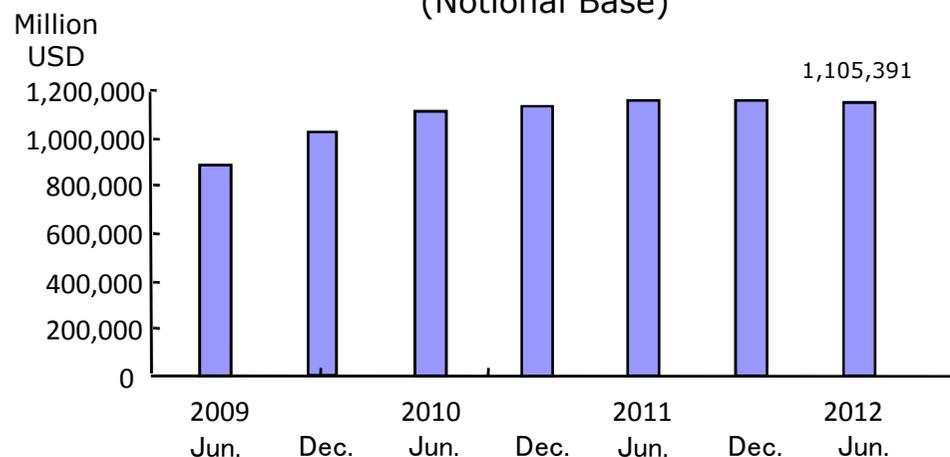
1. CDS Clearing

- Started July 2011
- Outlines of the Service

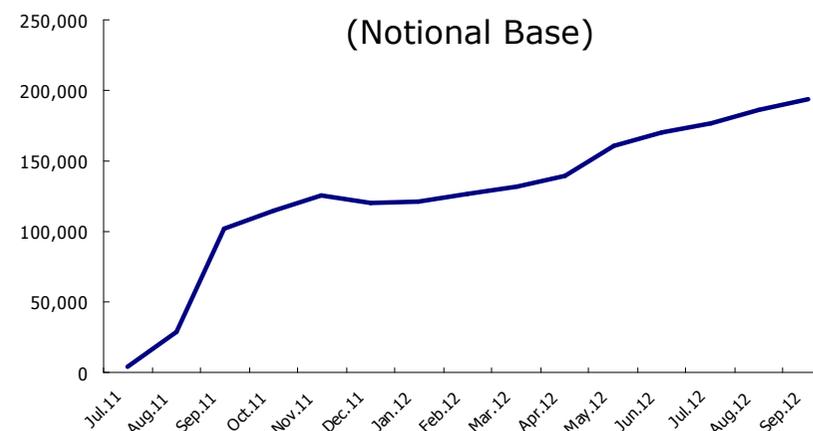
Eligible Product	iTraxx Japan 50	- Single Name CDS to be cleared in the near future
Clearing Cycle	Weekly	- Risk Monitoring is conducted daily
Clearing Participant	7 (as of October 2012)	- 4 domestic banks, 3 global banks. More expected to join.
Margin	99% ETL	- Short Charge, Bid-offer Charge will be added base on the risk exposure

Outstanding of CDS Obligation Bearing

Outstanding CDS Transaction in Japan Market
(Notional Base)



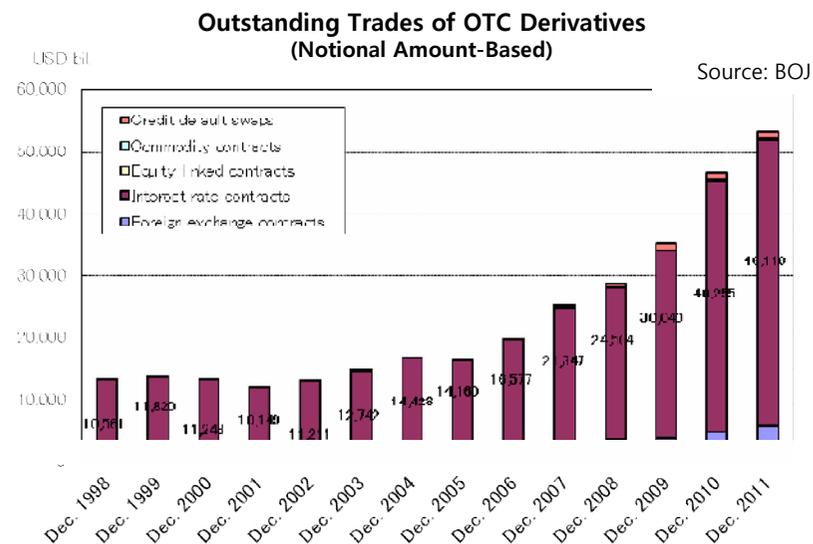
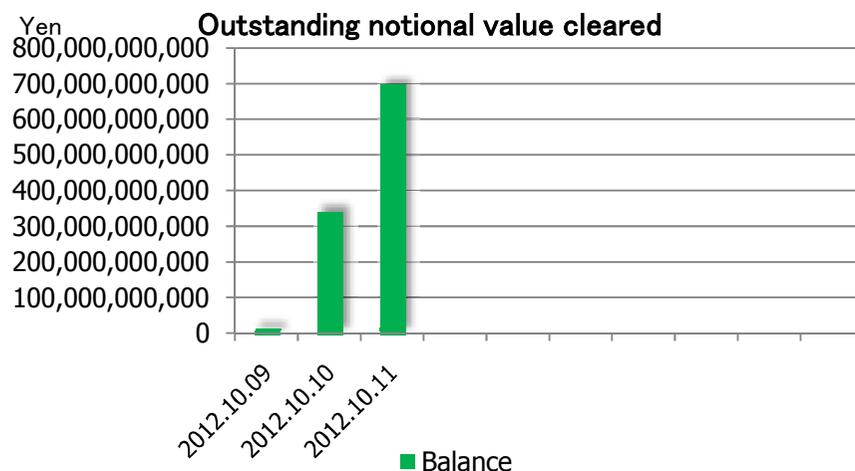
Outstanding of borne CDS Obligation
(Notional Base)



- Outstanding Obligation Bearing: JPY 193,531 mil. (as of 28th Sep. 2012)
 - Number of Outstanding Obligation Bearing: 169

2. IRS Clearing

- Started 9 October 2012



- Clearing Participants – 21 participants, both domestic and global players

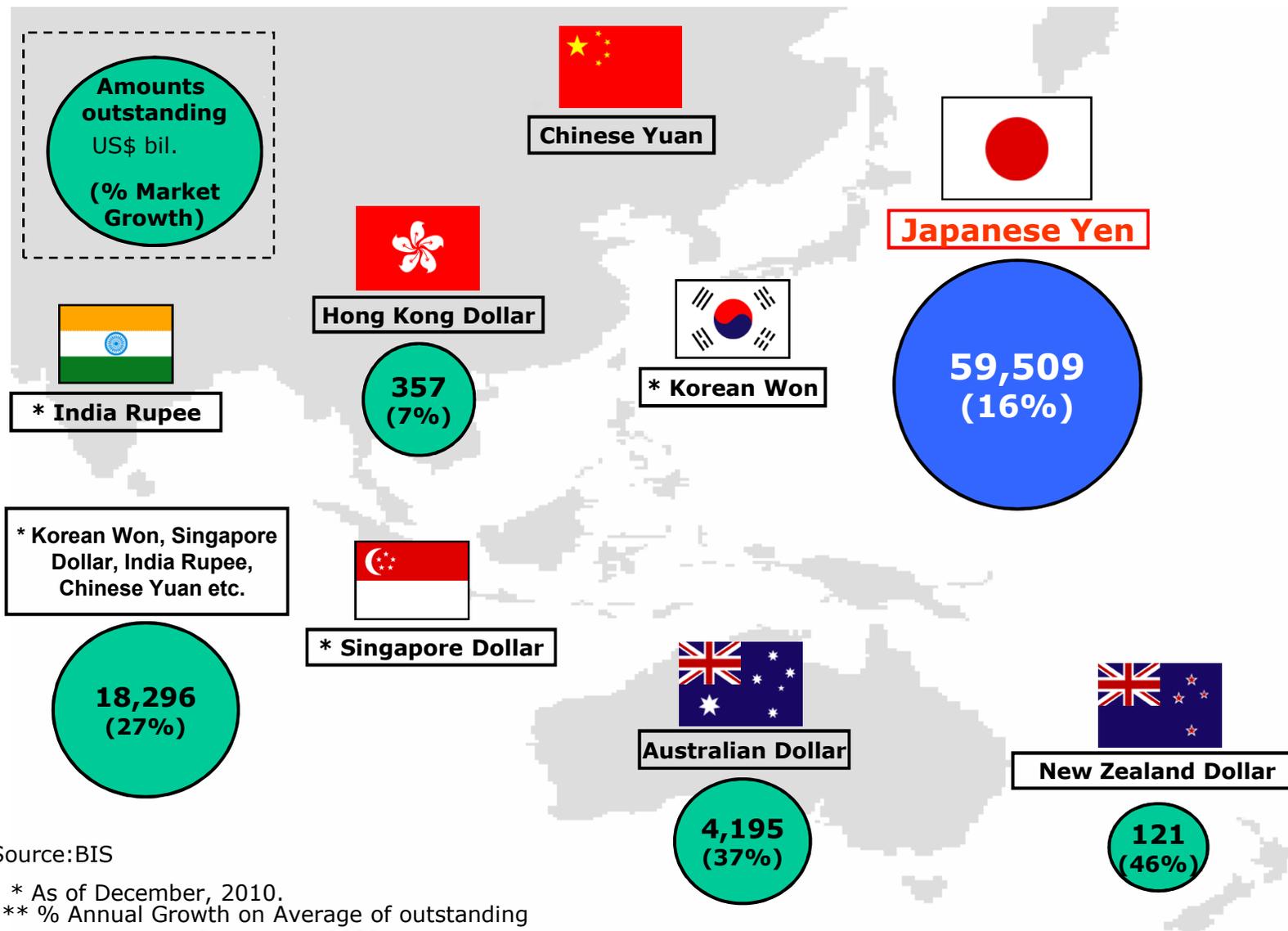
The Royal Bank of Scotland plc	BNP Paribas
SMBC Nikko Securities	Mizuho Corporate Bank, Ltd.
Credit Suisse Securities (Japan) Limited	Sumitomo Mitsui Banking Corporation
Goldman Sachs Japan Co., Ltd.	Sumitomo Mitsui Trust Bank
JPMorgan Securities Japan Co., Ltd.	The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Citigroup Global Markets Japan Inc.	Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.
Societe Generale	Merrill Lynch Japan Securities Co., Ltd.
Daiwa Securities Co. Ltd.	Morgan Stanley MUFG Securities Co., Ltd.
Deutsche Bank Aktiengesellschaft	UBS Securities Japan Ltd
Nomura Securities Co., Ltd.	Resona Bank Co.,Ltd.
Barclays Bank PLC	(Honorifics omitted)

- Outlines of IRS CCP Clearing Service (For the detailed information, please refer to <http://www.jsc.cco.jp/public/pdf/otc20120301.pdf>)

Eligible Product	BBA LIBOR	<ul style="list-style-type: none"> ▪ TIBOR to be included after the initial launch
Type	Plain Vanilla IRS	<ul style="list-style-type: none"> ▪ USD and EUR will be included after the launch
Clearing Cycle	Daily	<ul style="list-style-type: none"> ▪ Initially only for those trades affirmed via MarkitWire (a service provided by MarkitSERV)
Clearing Participant Qualification	Business category	<ul style="list-style-type: none"> ▪ Financial Instruments Business Operator or a Registered Financial Institution.
	Financial criteria	<ul style="list-style-type: none"> ▪ Net Capital、 Capital-to-Risk Ratio、 Credit Rating etc.
	Other criteria	<ul style="list-style-type: none"> ▪ Ability to participate in Default Management、 price submission
Client Clearing	Will be limited to the same corporate group at the outset of the services	<ul style="list-style-type: none"> ▪ Affiliate Clearing ▪ Expansion to allow non-group companies indirect access
Clearing System	Calypso Technology	<ul style="list-style-type: none"> ▪ Enhancement of the existing CDS clearing system to include IRS clearing

<Presence of JPY IRS Market in Asia>

Outstanding Trades* and its Growth Rate** of Asian Currency-Based IRS



Source: BIS

* As of December, 2010.

** % Annual Growth on Average of outstanding trades between December, 2000 and December, 2010.