

## **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:** March 28, 2013

On March 21, 2013, members of the ODRF, including Kim Allen of the U.S. Securities and Exchange Commission, met with representatives of seven CCP service providers and a representative of ISDA to discuss issues related implementing mandatory clearing and client clearing.

On March 22, 2013, members of the ODRF, including Kim Allen of the U.S. Securities and Exchange Commission, met with representatives of four 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 March 21 and 22 meetings, proposed discussion items for the CCPs, TRs and ISDA, and copies of the presentations provided by ISDA, a CCP and a TR.

ODRF meeting 21-22 March 2013  
LIST OF REGISTERED ATTENDEES

Jurisdictions	Authority	Representative
Australia	Australian Securities and Investments Commission (ASIC)	Mr Laurence White
	Reserve Bank of Australia	Ms Jennifer Hancock
Belgium	Belgian Financial Services and Markets Authority (FSMA)	Mr Didier Niclaes
	National Bank of Belgium	Mr Steven Van Cauwenberge
Canada	Alberta Securities Commission	Ms Debra MacIntyre
	Bank of Canada	Ms Lorie Zorn
	Office of the Superintendent of Financial Institutions (OSFI)	Mr Brad Shinn
	Ontario Securities Commission	Mr Kevin Fine
European Union	European Banking Authority	Mr Massimiliano Rimarchi
	European Central Bank	Ms Corinna Freund
	European Central Bank	Ms Daniela Russo
	European Commission	Ms Muriel Jakubowicz
	European Securities and Markets Authority	Mr Fabrizio Planta
France	Autorité de Contrôle Prudentiel	Mr Bertrand Lussigny
	Autorité des Marchés Financiers	Ms Carole Uzan
	Banque de France	Mr Olivier Jaudoin
	Banque de France	Mr Philippe Troussard
Germany	BaFin	Mr Jan Gerrit Budäus
	BaFin	Mr Christian Weiss
	Deutsche Bundesbank	Mr Roland Neuschwander
	Deutsche Bundesbank	Mr Niels Weiffenbach
Hong Kong	Hong Kong Monetary Authority	Ms Polly Yuk King Lee
	Hong Kong Monetary Authority	Ms Pansy Pang
International Bodies	Basel Committee on Banking Supervision	Mr Ryan Richards
	Basel Committee on Banking Supervision	Mr Giuseppe Siani
	Committee on Payment and Settlement Systems	Mr Klaus Löber
	Committee on Payment and Settlement Systems	Mr Can Bulent Okay
	Financial Stability Board	Mr Svein Andresen
	Financial Stability Board	Mr Mark Chambers
Ireland	Bank of Ireland	Mr Giuseppe Insalaco
Italy	Bank of Italy	Mr Franco Passacantando
	Bank of Italy	Mr Domenico Gammaldi
	Bank of Italy	Mr Claudio Impenna
	Bank of Italy	Mr Pietro Stecconi
Japan	Bank of Italy	Ms Barbara Lupi
	Bank of Italy	Mr Antonio Giuliani
	Commissione Nazionale per le Società e la Borsa (CONSOB)	Mr Luca Amadei
	Commissione Nazionale per le Società e la Borsa (CONSOB)	Mr Salvatore Lo Giudice
	Bank of Japan	Mr Hiroyuki Nishizawa
	Japan Financial Services Agency (JFSA)	Mr Makoto Seta
Korea	Bank of Korea	Mr Byoung Mok Lee
Mexico	Banco de México	Mr Luis De los Santos
	Banco de México	Ms Lorenza Martinez

ODRF meeting 21-22 March 2013  
LIST OF REGISTERED ATTENDEES

Netherlands	De Nederlandse Bank	Ms	TT	Man
Singapore	Monetary Authority of Singapore (MAS)	Ms	Janice	Chua
Spain	Banco de España	Ms	Montserrat	Jiménez
	Comisión Nacional del Mercado de Valores (CNMV)	Mr	Miguel Ángel	Herrero Alvite
Sweden	Sveriges Riksbank	Ms	Johanna	Stenkula von Rosen
	Swedish Financial Supervisory Authority (Finansinspektionen)	Mr	Jan	Axelsson
Switzerland	Swiss National Bank	Mr	Felix	Schafroth
United Kingdom	Bank of England	Mr	Filip	Zikes
	UK Financial Services Authority	Mr	Ben	Mitchell
	UK Financial Services Authority	Mr	Tom	Springbett
United States	Commodity Futures Trading Commission (CFTC)	Mr	Warren	Gorlick
	Commodity Futures Trading Commission (CFTC)	Ms	Sarah	Josephson
	Federal Deposit Insurance Corporation	Mr	John	Feid
	Federal Deposit Insurance Corporation	Mr	Thomas	Hearn
	Federal Reserve Bank of Chicago	Ms	Rebecca	Chmielewski
	Federal Reserve Bank of Chicago	Mr	Richard	Heckinger
	Federal Reserve Bank of New York	Ms	Shari	Bower
	Federal Reserve Bank of New York	Mr	William	Carlucci
	Federal Reserve Bank of New York	Mr	Christopher	Tsuboi
	Federal Reserve Board	Ms	Jennifer	Lucier
	Federal Reserve Board	Ms	Nami	Mukasa
	US Office of Financial Research (Department of the Treasury)	Ms	Mary Kay	Kelleher
US Office of the Comptroller of the Currency	Mr	Kurt	Wilhelm	
US Securities and Exchange Commission	Ms	Kim	Allen	

CCP	Representative		
CME Clearing	Ms	Kim	Taylor
Eurex Clearing	Mr	Marcus	Zickwolff
ICE Clear Europe	Ms	Lisa	Hood
LCH.Clearnet	Ms	Julien	Olivier
LCH.Clearnet / SwapClear	Mr	Richard	Walker
LCH.Clearnet / SwapClear	Mr	Kim	Short
Japan Securities Clearing Corporation	Mr	Takeshi	Hirano
ISDA	Mr	George	Handjinicolaou

TR	Representative		
CME Group	Ms	Kim	Taylor
DTCC	Mr	Stewart	Macbeth
Regis-TR	Mr	David	Retana González
Regis-TR	Ms	Mari Carmen	Mochón

# OTC Derivatives Regulators' Forum

Bank of Italy  
Via Nazionale, 91 - Palazzo Koch, Rome

Thursday, 21 March 2013

Friday, 22 March 2013

Thursday, 21 March 2013 (15:30 – 17:45)

Session 8 with CCP and ISDA representatives

## Proposed discussion items for CCPs

1. Discussion of the effects of implementing mandatory and client clearing, notably:
  - a) the main issues and challenges observed, particularly from a cross-border perspective;
  - b) the likely consequences for internal risk management practices for CCPs offering services in other markets of expanding into the OTC derivative market and offering client clearing [specific topics may be: interoperability; portability (and implications of a guarantee on portability); various forms of principal versus agent models for client clearing and their implementations in different jurisdictions, as well as the risks associated with each; inter-waterfall linkage; the status of execution platform and the relations with CCP];
  - c) any possible risk of a “race to the bottom” as competition to provide OTC derivatives market clearing services arises. Possible actions authorities can take to address some of the CCPs’ concerns, if any;
  - d) the appetite for and challenges in setting up interoperability links for OTC derivative market clearing services;
  - e) the problems and possible solutions in providing for access to small/local participants in different geographical areas/jurisdictions;
  - f) the challenges in client clearing;
  - g) whether CCPs are aiming in the long-term to offer services on a global or national/regional basis, and what are the decisive factors.
2. CCPs’ arrangements and further plans for complying with the CPSS-IOSCO Disclosure Framework (the schedule for producing the framework, the information that will be provided on matters such as risk management, governance, etc.) and

other disclosure requirements such as from the Payments Risk Committee, multilateral Framework Arrangements, etc.

3. Discussion of CCP trade data reporting (where and how will CCP data be reported for market transparency objectives).

4. Any issues CCPs would like to discuss with the ODRF (this will require advance notification of topics by CCPs).

5. General update from CCPs on initiatives since the last meeting, including launch of new products and services and extension of products/services to new jurisdictions.

### **Proposed discussion items for ISDA**

1. The ISDA's views on the state of process and product standardization, including an update on the work they are doing on credit derivatives definitions.

2. The obstacles to greater standardization in the OTC derivatives market.

3. The areas/aspects of the standardization process that most need improvement (contract standardization, legal aspects, operational process, others?).

4. The actors that are most closely involved or expected to contribute to the standardization process in the near future (market participants, infrastructures, regulators?). The significance of their various roles and contributions.

5. The main issues and challenges for clearing members and their clients in implementing central clearing and trade reporting across all OTC derivatives asset classes. Possible actions authorities can take to address some of these concerns, if any.

**Friday, 22 March 2013 (10:45 – 13:00)**

**Session 10 with TR representatives**

**Proposed discussion items for TRs**

1. The main issues and challenges, in particular from a cross-border perspective, that TRs envisage in the practical implementation of reporting obligations across all asset classes.
2. Measures taken by TRs to provide the anonymity of counterparties when providing data to various regulators or TRs views on how it can be ensured if required;
3. Any problems with the reporting of specific products (e.g. exchange traded derivatives, exotics) and/or of specific market participants (e.g. small financial entities, non-financial entities, entities based in a third country, etc.).
4. How are TRs handling the increase in entities that will need to report to them, both in terms of on-boarding and testing.
5. What would be the main challenges, if any, to data aggregation across TRs and/or jurisdictions. In particular, are there any specific legal or operational hurdles in overcoming data fragmentation?
6. What plans TRs have for completing the CPSS-IOSCO Disclosure Framework (schedule for information delivery, content of information, etc.)?
7. Any important issues TRs wish to call to the attention of authorities (this will require advance notification of topics by TRs). For those TRs that have engaged with the ODRF TR Subgroups, an assessment of the value of this engagement and how it could be improved.
8. Update from TRs on developments since the last meeting, including the widening of the scope of registered information (e.g. valuation of exposures, collateral, etc.), the launch of new services and the extension of services to new jurisdictions.



Safe,  
Efficient  
Markets

# OTC Derivatives: Standardization and Clearability

By  
George Handjinicolaou  
Deputy CEO, ISDA

OTC Derivatives Regulators' Forum (ODRF) Meeting  
March 21, 2013  
Rome



# Outline

- OTC Derivatives Market – An Overview
- Standardization
  - Legal Standardization
  - Product Standardization
  - Process Standardization
  - Technology and Data Standardization
- Market Developments in the mid 2000s
- IIGC
- Commitments
  - Standardization
  - Bilateral Risk Management
  - Transparency and Reporting
- Industry Initiatives
- Central Clearing
- Clearability

# The OTC Derivatives Market – An Overview

- Although centuries old, the OTC derivatives market, in its current form, emerged in the early 80's
  - Starting with FX, it offered a powerful tool to manage risks
  - Progressively, it extended across asset classes [CLASSES]
  - Immense capacity to customize terms
- Today, the OTC derivatives market is a large market
  - Close to \$700 trillion, measured by notional amounts
  - Global and highly decentralized
  - Highly integrated with global trade and finance

# The OTC Derivatives Market – An Overview

- Such growth would not be possible without a high degree of standardization along the way
  - Necessary condition for the market to grow
  - Primarily driven by market participants
  - Helped along with regulatory guidance
- Standardization has come in many different forms
  - Legal Documentation standards – ISDA Master Agreement, CSA Legal Opinions, Protocols, et al
  - Product Standardization – Market Conventions/Trade Practices
  - Process Standardization
  - Technology Standardization

# Legal Standardization

- The ISDA Master Agreement (ISDA MA)
  - The term is used to describe a collection of documents
  - Initially, legal documentation of first OTC derivatives (swaps) was completely customized
  - Market participants realized the collective benefit of having common standards, leading to the creation of ISDA (1985)
  - The ISDA MA was the first major step towards establishing such common standards
  - Over time, it has become the “repository” of other standardization initiatives in other aspects of the OTC derivatives business
  - Today, the ISDA MA is THE cornerstone of the OTC Derivatives market, providing
    - Universal and ubiquitous legal certainty through the legal opinions
    - THE tool to manage counterparty risk through the netting and collateral provisions

# Product Standardization

- First OTC derivatives trades reflected
  - Extensions of money market conventions
  - Extensions of fixed income conventions around the world
- Again, market participants, through market evolution, took the first product standardization steps
  - Around LIBOR (3 or 6-month) in the floating legs
  - Fixed income conventions (30/360, etc.)
  - Other considerations such as, day counts, “Good” business days, and many others
- As new markets/products emerge, process was repeated
- In turn, these conventions were reflected in the ISDA MA

# Process Standardization

- “Customization” inevitably means complexity which has to be processed
  - Initially, the small number of transactions meant that dealing with complexity was relatively easy to handle
  - As volumes expanded, the need for efficient processes emerged
- Efficiency comes through standardization and, in the processing area, came in many shapes and forms
  - Definitions
  - Master Confirmation Agreements (MCAs) and short form confirmations
  - Electronification of confirmations and related matching
  - Middleware and in general Straight Through Processing (STP)
  - Compression initiatives

# Technology & Data Standardization - FpML

- Technology has also become critical in promoting and enhancing standardization
  - By enabling many of the previous initiatives to become reality
  - Most importantly, by establishing technology standards for capturing, displaying and conveying OTD derivatives information
- FpML (**F**inancial **P**roducts **M**ark-up **L**anguage) is an example of such a standard
  - An open source XML standard for electronic dealing and processing of OTC derivatives
  - It establishes a protocol for sharing information electronically on, and dealing in swaps, derivatives and structured products

# Technology & Data – FpML – cont'd

- The impact of adopting technology standards has become more important as volumes have soared, creating the need to capture, transfer, store and display information about OTC derivatives activities
  - Market wide infrastructure for processing trades (middleware)
  - Trade Repositories
  - Data Taxonomy

# Market Developments in the mid 2000's

- In the early 2000's credit derivatives emerged as a major innovation, offering participants the ability to manage credit risk
- Rapid growth, new product innovation and new trading patterns (novations) in a very short period of time, outpaced participants' ability to set standards quick enough
- Result was a large number of unconfirmed trades with heterogeneous terms
- It was at that time (2005) that NY Fed urged market participants to address these issues

# ISDA Industry Governance Committee (IIGC)

- To facilitate the dialogue with the NY Fed as well as the global regulatory community at large, ISDA formed IIGC
  - Serves as a forum for market participants to communicate with regulators
  - Comprised of major dealers and buy side institutions and serves as a forum for market participants to communicate with regulators
  - Its objective is to strengthen the OTC derivatives market infrastructure
  - The main medium of communicating with the regulators has been through the “commitment letters”

# Commitments - Roadmap of Continuing Reform

- Commitment Letters:
  - 2005 – October and December (OMG)
  - 2006 – March and November (OMG)
  - 2007 – May and October (ISDA onwards)
  - 2008 – March, July and October
  - 2009 – June
  - 2010 – March
  - 2011 – March
- Over time four overarching themes have emerged:
  - Standardization
  - Bilateral Risk Management
  - Transparency and Reporting
  - Central Clearing

# Commitments – Process Standardization

- Standardization focusing on the automation of operational processes, and in particular, trade lifecycle event processing
  - Affirmations
  - Confirmations
  - Master Confirmations/Transaction Supplement/Matrix
  - Electronic Confirmations
  - Automated Credit Event Processing
  - Streamlined Novations Processing
  - Automated Settlement
- It also called for the production of Standardization Metrics Reporting

# Commitments – Standardization Matrices

- Industry first committed to the production of Standardization Metrics on semi-annual basis in the March 2010 commitment letter
- First Standardization Matrix was produced in Sept 2010, covering the 2010 QII
- Reports have been produced since on a regular basis
- They represent a massive undertaking on the part of industry and ISDA as data are collected from several sources
  - Industry Participants
  - CCPs
  - Trading Platforms

# Standardization Matrix

(Based on Selected Data from the Q2 2012 Data Submission)

Category	Sub Category	Credit		Equity		Rates	
		Vanilla	Structured	Vanilla	Structured	Vanilla	Structured
Execution Venue	Voice	70-80%	90-100%	50-60%	90-100%	90-100%	80-90%
	Electronic	20-30%	0-10%	40-50%	1-10%	1-10%	10-20%
Confirmation	Electronic	90-100%	10-20%	40-50%	0-10%	80-90%	0-10%
	Non-Electronic	0-10%	80-90%	50-60%	90-100%	10-20%	90-100%

# Commitments – Bilateral Risk Management

- Commitments focused on improvements in Collateral practices
- This resulted in the publication by ISDA of the “ISDA Collateral Roadmap (\*) and Best Practices” (\*\*)
  - Portfolio Reconciliation
  - Dispute Resolution
  - Enhanced Dispute Reporting
  - Electronic Messaging
  - The creation of the Standard CSA (SCSA)

(\*) Roadmap

[http://www2.isda.org/attachment/MzI2Mw==/2011%20ISDA%20Roadmap%20for%20Collateral%20Management%20-%2030%20June%202011\[1\].pdf](http://www2.isda.org/attachment/MzI2Mw==/2011%20ISDA%20Roadmap%20for%20Collateral%20Management%20-%2030%20June%202011[1].pdf)

(\*\*) Best Practices

<http://www2.isda.org/attachment/Mzc5MA==/2011%20ISDA%20Best%20Practices%20for%20the%20OTC%20Derivatives%20Collateral%20Process%20-%2030%20Nov%202011%20FINAL.pdf>

# Commitments – Transparency and Reporting

- Initially, it focused on the types of transparency, calling for:
  - An inventory of existing forms of transparency
  - Studying the methods that can be used to increase transparency (studies by Finance Concepts, Markit and Trade Web)
  - Analysis of benefits of achieving transparency per asset class/product
- Most of the focus was on post-trade transparency
- Deliverables
  - The Trade Information Warehouse (TIW) for Credit derivatives was the first example of an industry led initiative to provide such transparency to the regulators
  - Similar initiatives were undertaken for other asset classes

# Reflections on Standardization

- Standardization is a natural market evolutionary process
  - Markets, at their inception, are highly heterogeneous and experimental, until key market conventions emerge
  - As market conventions emerge (first stage of standardization – product), they are reflected in legal documentation (second stage), a prerequisite for process standardization (third stage) and ultimately full automation (fourth stage - technology standardization)
- During different stages different actors are involved
  - First stage is typically driven by market participants
  - Second stage, again by market participants with outside legal input
  - Third stage sees a wider group of actors
  - In the final stage – full automation – involves a yet wider group of participants, mainly infrastructure providers and others
- The role of regulators

# Industry led Initiatives and Achievements

- Clearing
  - Intra-dealer trades cleared since 1999 at LCH
- Compression
  - An efficient way to reduce notionals and eliminate trades, reducing operating and counterparty exposures (since 2003)
- Trade Repositories (TRs)
  - Trade Information Warehouse (TIW) for credit derivatives (since 2007)
  - Trade Repositories (TRs) now in place for all major asset classes
- Continued Product Standardisation
  - Small and Big Bang Protocols for the CDS Market (standard coupons and maturities, Credit Event Management (CDS Auction) et.al

# Central Clearing

- Regarding clearability, the goal posts moved significantly in the aftermath of the 2008 crisis, as the G20 at the Pittsburgh Summit (in September 2009), called for

... All **standardized** OTC derivative contracts should be **traded on exchanges or electronic trading platforms**, where appropriate, and **cleared through central counterparties** by end-2012 at the latest. OTC derivative contracts should be **reported to trade repositories**. Non centrally cleared contracts should be subject to **higher capital requirement..**

- Clearing became an obligation, applying to
  - All “standardized” OTC derivatives - the concept of “standardization” became more important
  - Most market participants

# Central Clearing – Progress Report

- The G20 statement was all encompassing, calling for action both at national and international level
- The USA came out first in 2010 with the Dodd-Frank Act (DFA) which, subsequently was implemented by CFTC and SEC
  - On March 11, mandatory clearing started in the US (SDs, MSPs and active funds)
- In the EU the regulation took form through EMIR and revision of MiFID, with ESMA responsible for implementation
  - It is envisioned that mandatory clearing will commence in 2014

# Clearability

- Large parts of the OTC derivatives industry are already being cleared
  - More than 50% of the interest rate swap (IRS) market
  - Significantly more than 50% of the CDX indices
  - Slices from other asset classes (commodities, equities)
- Yet, a significant part of the market – estimated to be around 30% – is likely to remain unclearable, such as
  - 25% (\*) of the IRS market (swaptions and options, cross-currency swaps, inflation swaps)
  - 33% (\*) of the Credit Derivate Market (mainly single name CDS)
  - Significant percentages of other asset classes

(\*) ISDA Report Non cleared OTC Derivatives: Their Importance to the Global Economy , March 2013, and IMF Report, April 2010

# Clearability – Interest Rate Swaps

**ADJUSTED INTEREST RATE OTC DERIVATIVES MARKET**  
 (Based on BIS notionals and SwapClear clearing data in US\$ trillions)

<b>Notional outstanding</b>	<b>Dec. 2007</b>	<b>Dec. 2008</b>	<b>Dec.2009</b>	<b>Dec. 2010</b>	<b>June 2011</b>	<b>Dec. 2011</b>	<b>June 2012</b>
<b>OTC Interest Rates Derivatives</b>	\$338.7	\$356.3	\$342.2	\$341.0	\$405.1	\$362.4	\$341.2
<b>OTC Interest Rates Swaps</b>	\$255.2	\$265.3	\$241.6	\$240.1	\$292.4	\$262.3	\$246.0
<b>IRS notional cleared, %</b>	21.3%	28.6%	44.6%	51.8%	50.9%	53.5%	54.2%
<b>FRAs</b>				\$51.6	\$55.7	\$49.2	\$44.9
<b>FRA notional cleared, %</b>						2.8%	43.2%

Source: ISDA, “Non Cleared OTC Derivatives: Their Importance to the Global Economy”, March 2013, <http://www2.isda.org/attachment/NTM2OA==/Non-cleared%20OTC%20Derivatives%20Paper.pdf>

# Clearability – Cont'd

- These segments do not meet the eligibility requirements of CCPs, including lack of liquidity
  - Take FRAs as an example
    - ❖ \$83 trillion in 250,000 trades in more than 20 currencies (1 – 10 years)
    - ❖ 4 main currencies (US\$, E, £ and Yen) 1-2 year, account for 97% cleared
    - ❖ Much of remaining currencies and maturities, not clearable due to lack of liquidity
  - Or, Overnight Index (OIS) Swaps
    - ❖ \$53 trillion in 111,000 trades in 17 currencies (1 – 30 years)
    - ❖ \$47 trillion in 55,000 trades are cleared, in 5 currencies and maturities up to 2 years
    - ❖ Remaining 55,000 in other currencies and maturities are not clearable
- Transactions with counterparties that are exempt (i.e. sovereigns)

# Why NOT all OTC derivatives are clearable

- Standardization – a necessary but not sufficient condition
  - Not of economic terms
  - Legal and process
- Liquidity – an absolutely necessary condition as it facilitates accurate pricing, risk modeling and – crucially – a market to offset risk if need arises ;
  - Availability of pricing with tight bid-ask spreads over time
- Complexity - in terms of the difficulty of valuing a product
- Risk characteristics, including the product's volatility, tail/gap risk and dependencies/correlations

# Clearing challenges

- Complexity
- Costs
  - New infrastructure
  - Capital requirements of clearing member for CCP exposures
  - Providing Segregation
- Major risk management challenges emerging from the fragmentation of the ISDA netting sets
- Accessibility and availability of clearing
- Uncertain protection – does segregation and portability really work in practice?

# Reporting Challenges

- Cost and Complexity
- Potential challenges, costs and risks associated with having multiple data formats
- Similar concerns apply for the proliferation of multiple Trade Repositories
- Market structure implications

# Concluding Remarks

- The OTC Derivatives industry has made significant progress in a wide array of developments that increase standardization, improve bilateral risk management, increase central clearing as well as improve transparency and reporting
- Standardization has been a natural component of this evolution that is engrained in the market's dynamics as perhaps the most innovative market in the world. This process continues today
- Standardization is a necessary but not sufficient condition for clearing. The importance of Liquidity
- As regulatory reform is under way, it is important to:
  - Bear in mind the economic value offered by these products
  - Be wary of potential unintended consequences

# Clearing of OTC Derivatives at Japan Securities Clearing Corporation

-Current business and next steps

For OTC Derivatives Regulators Forum  
March 21, 2013

Japan Securities Clearing Corporation

# 1. CDS Clearing

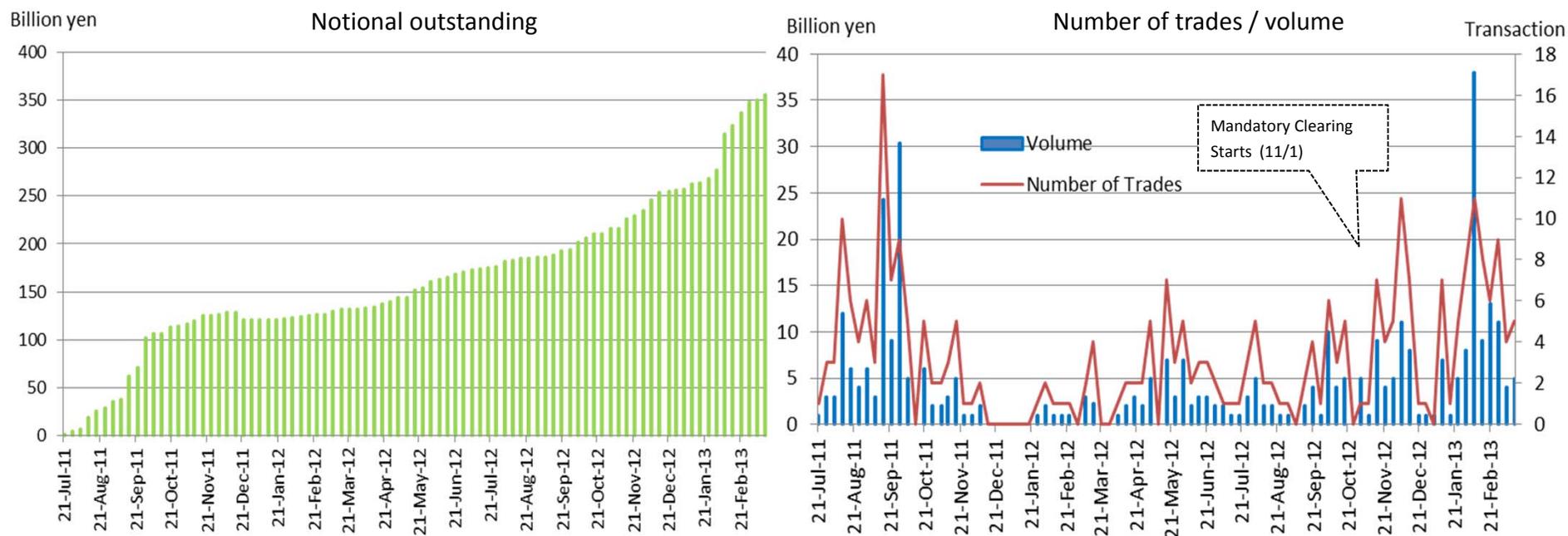
## Overview

Commencement date	July 19 <sup>th</sup> , 2011
Eligible product	iTraxx Japan 50 (all series; currently series 9 - 18)
Number of participants	9 (Japanese 4, Global 5) Clearing members, 2 Affiliate participants

## Statistics

- Notional outstanding :JPY 355 bill. (USD 3.74 bill. @ \$ 1 = \95)
- Total number of trades cleared : 213

(as of March 14<sup>th</sup>, 2013 )



## 2. IRS Clearing -1

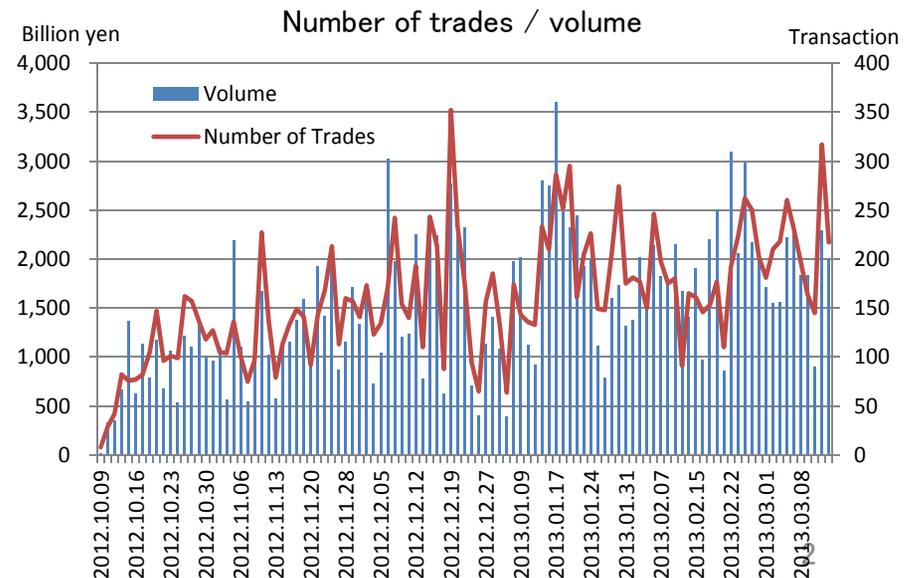
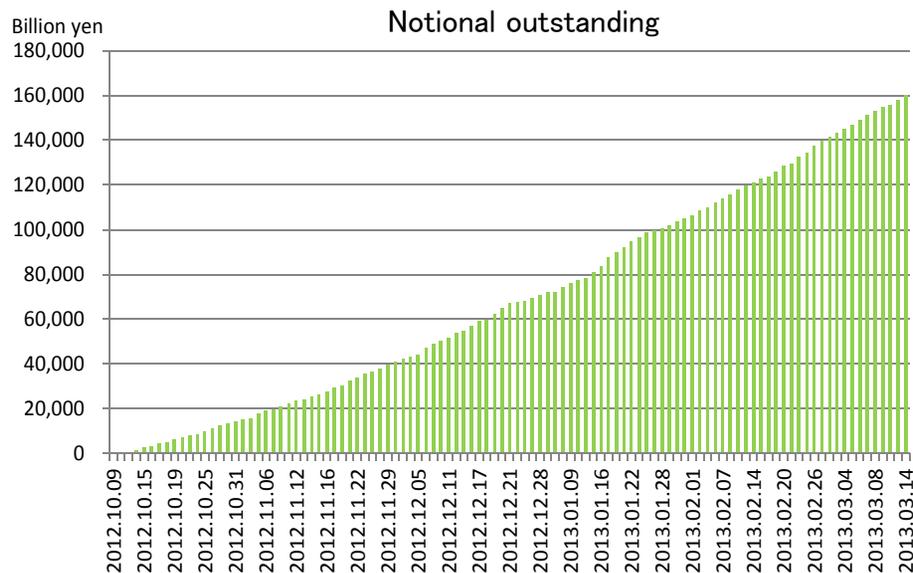
### Overview

Commencement date	October 9 <sup>th</sup> , 2012
Eligible product	Plain Vanilla IRS on BBA LIBOR and TIBOR 3M or 6M tenor (Maturity up to 40 yrs.) Fixed vs floating, floating vs float
Number of participants	21 (Japanese 9, Global 12) Clearing members, 11 Affiliate participants

### The service has made a solid start

- Total number of trades cleared : 16,854 (daily average 161)
- Clearing volume (Daily average) : JPY 1.52 trill. (USD 16 bill. @ \$ 1 = ¥95)
- Notional outstanding : JPY 160 trill. (USD 1,684 bill. @ \$ 1 = ¥95)

(as of March 14<sup>th</sup>, 2013 )



## 2. IRS Clearing - 2

### Next Steps

<b>After Feb. 2014</b>	<ul style="list-style-type: none"><li>- Client Clearing</li><li>- Real time clearing (drip feed) with real time margin calculation</li><li>- Trade Compression</li><li>- Others</li></ul>	<ul style="list-style-type: none"><li>▪ Currently, inter-bank trades only</li><li>▪ Currently, the clearing cycle is twice a day</li></ul>
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## (Reference)

### < List of CDS and IRS Clearing Participants

CDS Clearing Participants (9 Firms)	IRS Clearing Participants (21 Firms)
Goldman Sachs Japan Co., Ltd.	SMBC Nikko Securities Inc.
Citigroup Global Markets Japan Inc.	Credit Suisse Securities (Japan) Limited
Daiwa Securities Co., Ltd.	Goldman Sachs Japan Co., Ltd.
Deutsche Bank Aktiengesellschaft	JPMorgan Securities Japan Co., Ltd.
Nomura Securities Co., Ltd.	Citigroup Global Markets Japan Inc.
BNP Paribas	Societe Generale
Mizuho Securities Co., Ltd.	Daiwa Securities Co. Ltd.
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	Deutsche Bank Aktiengesellschaft
Morgan Stanley MUFG Securities Co., Ltd.	Nomura Securities Co., Ltd.
	Barclays Bank PLC
	BNP Paribas
	Mizuho Corporate Bank, Ltd.
	Sumitomo Mitsui Banking Corporation
	Sumitomo Mitsui Trust Bank, Limited.
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.
	Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.
	Merrill Lynch Japan Securities Co., Ltd.
	Morgan Stanley MUFG Securities Co., Ltd.
	UBS AG
	Resona Bank, Limited.
	The Royal Bank of Scotland plc

# CME Global Repository Service

## *Overview*

**MARCH 2013**

# CME: US Swap Data Repository

- CME is registered with CFTC for operation of Rates, Credit, FX and Other Commodities asset classes SDRs
- US based with local business and support staff
- Accepting bilateral and cleared swap data in all asset classes
- Straight through processing solution for CME cleared trades
- Streamlined and efficient; **one message** can fulfill **regulatory** reporting, **\*and/or\*** **public** reporting **\*and/or\*** **clearing** submission in parallel
- Low cost provider; caps up to 80% lower
- Processed over 30k FX bilateral trades in first two weeks of March

# CME: EU Trade Repository

- CME will apply with ESMA for exchange traded & OTC trade repository in Rates, FX, Credit and Commodities
- UK based legal entity with local business and support staff
- On target for day 1 reporting readiness for each asset class
- Seeking to ease participants' reporting burdens on cleared trades through delegation of CME CCP and Exchange reporting
- CCP well positioned for delegate role in T+0 reporting regime
- Working with ESMA and clients to reduce regulatory reporting impacts to netting, omnibus accounts and give-ups

# Global Solution: **CME Global Repository Service**

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- Highest quality reporting at the lowest operational risk
- Reducing total costs to trade
- CME is leveraging strong domain expertise in global regulatory reporting, exchange, OTC and firm/vendor connectivity
- Universal interface solutions lowering customer/vendor maintenance costs
- One integration to submit OTC to CME's EU trade repository, EU clearing, US trade repository and US clearing
- Aiding customers in multi-jurisdictional reporting
- Closely evaluating establishing a Singapore trade reporting base for APAC region

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## Business Development

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Email at [Repository@cmegroup.com](mailto:Repository@cmegroup.com)

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## On-boarding, Integration & Production Support

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Email at [RepositorySupport@cmegroup.com](mailto:RepositorySupport@cmegroup.com)

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## Online Resources

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[www.cmegroup.com/repository](http://www.cmegroup.com/repository)

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