

Market Challenges in 2014

FCM Perspective

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Presenters

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Together we'll go far



I. How Do We Manage the Market/Customer Impact of Global Regulatory Implementation?

- Increased capital/funding/margin requirements on market participants
- Ensure customers have access to liquidity and market venues required to hedge/manage risk
- Implementation of new technology and products required to manage trade and collateral flows

II. Areas of Focus

- Swap Execution Facility (SEF)
- Collateral Rules
- Protection of Client Money
- Cross-border Guidance

III. Question & Answer

Market Challenges in 2014– Wells Fargo FCM

	Customer Feedback	FCM Impact
Swap Execution Facilities	<ul style="list-style-type: none">• Buy-side focused primarily on 2-4 venues• Skeptical that liquidity will exist to support more platforms• Primary concern – Central Limit Hub implementation and preparedness for MAT date	<ul style="list-style-type: none">• FCM should be agnostic to where client sources liquidity• FCM will be required to monitor changes as liquidity shifts• Complying with CFTC Reg. 1.73 and integrating with the SEF and Central Limit Hub community
Collateral & Liquidity	<ul style="list-style-type: none">• Increased margin requirements for centrally cleared trades and limitations on eligible/acceptable collateral• Requesting funding commitments from FCM and/or Bank partner to assist with contingent liquidity needs• CCP liquidity management and uncertain collateral/capital impact to end-users	<ul style="list-style-type: none">• Managing different eligibility criteria and concentration limits by CCP• Determining appropriate product mix – Repo, Secured Committed Credit Facilities required to address the expanding liquidity need of the customer• Providing cross-margining services to optimize customer margin requirements
Protection of Client Money	<ul style="list-style-type: none">• Ensure client money is protected whether Seg. Pool or LSOC and regardless of the regulatory regime• Concerned about the pass-through costs associated with increased protection	<ul style="list-style-type: none">• Providing various options based on customer requirement – Full seg., Tri-party, etc.• Managing house residual interest requirement to ensure compliance with daily liquidity and potential customer fails
Global Regulatory Environment	<ul style="list-style-type: none">• Cross-border guidance and definition of US Person• Treatment of customer collateral and eligibility of collateral for margin	<ul style="list-style-type: none">• Providing customer access to multiple/global CCP's and managing differences• Determining capital, funding/liquidity and services required based on regulatory regime



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