FEDERAL RESERVE BANK OF CHICAGO

2015 Conference on CCP Risk Management –
Central Counterparty Resolution

Tuesday, November 3, 2015

230 South LaSalle Street
Chicago, Illinois U.S.A.

PROGRAM

7:45 to 8:15 Registration and Continental Breakfast

8:15 to 8:30 Opening Remarks – Charles Evans, President and CEO, Federal Reserve Bank of Chicago

8:30 to 9:30 Keynote Speech and Q&A – Dr. Kay Swinburne, Member of the European Parliament for Wales

9:30 to 10:45

Session 1: Initiating CCP Resolution Proceedings – Legal and Regulatory Issues and Policy Considerations


Panelists

Geoffrey Davies, Head of Resolution Policy Division, Resolution Directorate, Bank of England

Kevin McClear, Chief Corporate Risk Officer Intercontinental Exchange Group, Inc.

R. Penfield Starke, Assistant General Counsel, Federal Deposit Insurance Corporation

Jason Silverstein, Executive Director & Associate General Counsel, CME Group, Inc.

Robert S. Steigerwald, Senior Policy Advisor, Federal Reserve Bank of Chicago

- Applicable law and policy, including a discussion of the implementation of international standards for the resolution of systemically important financial market infrastructures in Asia/Pacific, Europe and North America
Legal, regulatory and related requirements for the initiation of resolution proceedings, including:

- Determination of systemic impact, etc.
- Determination of CCP “default” (or other triggering conditions) – for example, what does it mean to be “in default” or “in danger of default” for purposes of the “orderly liquidation” proceedings authorized under Title II of the Dodd-Frank Act (DFA §203(b)(1))? Is CCP “insolvency” a necessary condition for resolution? If so, how do we distinguish illiquidity from insolvency?
- Authorizations and consultations – including any necessary action by governmental or political authorities other than the resolution authority
- Judicial review of resolution actions (if available under applicable law) and any other administrative procedures

Initial consultation and coordination with regulators and competent authorities, including domestic authorities (in the legal domicile of the CCP to be placed in resolution) and relevant foreign central banks, competent authorities, regulators, resolution authorities and others

Regulatory approvals necessary for CCP to continue operating (e.g., waivers of compliance with regulatory requirements (if available), etc.

10:45 to 11:15 Networking/Coffee Break

11:15 to 12:30

Session 2: Managing a CCP in Resolution – Risk Management, Financing and Related Issues

Moderator – Robert Wasserman, Chief Counsel, Division of Clearing and Risk, Commodity Futures Trading Commission

Panelists

Christopher P. Bono, Executive Director, J.P. Morgan Securities LLC

Sunil Cutinho, President, CME Clearing

Teo Floor, Advisor, Systemic Risk Policy, Eurex Clearing AG

Martin Pluves, Chief Executive Officer, LCH.Clearnet Limited

Determinations regarding the objectives of resolution:

- Immediate objective: continuity of service
• Near and long-term objectives, including: restoration of CCP viability ("rehabilitation"); transfer of open positions to another CCP, if feasible; and liquidation

• Key risk management actions upon the initiation of resolution, including:
  • Consideration of the potential systemic impact of risk management actions
  • Mechanisms for re-establishing a matched book, etc.
  • Critical role of clearing members in risk management actions

• Key operational actions upon the initiation of resolution, including:
  • Retention of key CCP staff and deployment of consultants and others employed or engaged by the resolution authority; dismissal or retention of CCP managers
  • Continued CCP access to critical third-party support services, such as settlement banking and custodial services

• Financing and related arrangements, including:
  • Any available private sector sources of support for the continued operations of the CCP, including additional support from clearing members
  • Any available public sector sources of support for the continued operations of the CCP
  • Pursuit of claims against defaulting clearing members and others
  • Provision for repayment of interim financing, etc., including implications for ownership and governance

12:30 to 2:00 Lunch

2:00 to 3:15

Session 3: Ongoing Consultation and Coordination with Authorities (Domestic and Cross-Border)

Moderator – Ananda Radhakrishnan, Partner, Norton Rose Fulbright LLP

Panelists

Takahide Habuchi, Deputy Director of Financial Markets Division, Financial Services Agency, Government of Japan

Jacqueline Mesa, Executive Director, FIA Global

William C. Murden, Deputy Director and Head, International Planning and Outreach Branch, Office of Complex Financial Institutions, Federal Deposit Insurance Corporation
Derek West, Senior Director, Derivatives, Québec Autorité des marchés financiers

- Challenges of consultation and coordination among domestic authorities with separate responsibilities (in some jurisdictions) for CCP regulation, recovery and central banking services

- Challenges of cross-border consultation and coordination among relevant authorities
  - Case studies: Lehman Brothers (2008)
  - The role of cross-border crisis management groups, etc.

- Cross-border recognition and enforcement of resolution actions under the FSB Key Attributes
  - Substantive limits on recognition and enforcement, such as proposals that third-country resolution actions should not have an “adverse effect” on financial stability in or material fiscal implications for the recognizing or enforcing state and similar requirements
  - Harmonization and “equivalency” – distinguishing requirements for domestic market access from cross-border recognition and enforcement

3:15 to 3:30 Closing Remarks

3:30 to 4:30 Ice Cream Social