

# ESCB/CESR Consultation paper

## CCP Clearing for OTC Derivatives

To: European Central Bank

From: Wholesale Markets Brokers Association (WMBA)

1. The Wholesale Markets Brokers Association (WMBA) represents the interests of the Inter-Dealer Brokers (IDBs) operating in the London financial markets. Its members trade in a wide range of OTC products and their derivatives in a product range that covers all treasury and capital markets, including credit default swaps (CDS). It has a sister association, the London Energy Brokers Association (LEBA) the members of which trade principally in gas, power, oil, carbon emissions certificates as well as some other energy products. For details of both associations please see: [www.wmba.org.uk](http://www.wmba.org.uk) and [www.leba.org.uk](http://www.leba.org.uk).
2. As IDBs members of the WMBA act exclusively as intermediaries between principles and take no market or credit risk on their own books. They are all regulated by the FSA as Limited Activity firms under the CRD.
3. In this context the WMBA acknowledges that the products and their risks belong to their clients, typically banks, and the output of the above mentioned consultation paper will be influenced principally by those structuring and dealing in those products as well as regulators and policy makers.
4. The WMBA also notes that although the CP makes draft recommendations for Central Counterparty Clearing (CCP) for OTC derivatives, it is principally targeted at the CDS market. *The WMBA believes that whilst the recommendations go a long way to ensure safe, transparent and efficient clearing for the CDS market, they may not be appropriate for other OTC products.* The WMBA feels that arrangements for the clearing of other OTC products should be made on a product by product basis.
5. IDBs transact a very significant amount of OTC business between banks and other principles, and the *WMBA feels that its major contribution to the development of CCP for CDS (and eventually other products) lie in the necessity of ensuring the right pre- and post- trade environment, the facilitation of trade confirmation, price transparency and the provision of independent data for risk management and revaluation requirements.*
6. It feels that these contributions would be of particular help to implement draft recommendations: 4 (Margin Requirements); 8 (Operational Risk); 14 (Transparency); and 15 (Regulation, Supervision and Oversight).
7. The WMBA is pleased to contribute to the EU Commission's working party on CCP for CDS and would be willing make suggestions to illustrate how its members might assist the process and ensure that the outcome is workable and effective.

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