Discussion of Articles
by Bliss and Papathanassiou
and
by Köppl and Monnet

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• Basic Economic Role of CCP: Enables enforcement of agreements in absence of DvP

• Key features:
  – Limited enforceability on both sides
  – Need for timely delivery (risk aversion)
Timeline

• 0. Symmetric Information (default fund)
• 1. Identities Revealed (trades agreed and margin posted)
• 2. Assets mature (settlement)
Extension

• 0. Symmetric Information (default fund)
• 1. Identities and Aggregate Shock Revealed (trades agreed and margin posted)
• 2. Assets mature (settlement)
Mutual vs. Profit Maximizing CCP

- Monopoly leads to overuse of default fund
- Majority vote closes CCP rather than risk default fund.

- Robustness?
Bliss and Papathanassiou

• Futures Settlement vs. Securities or Payment Settlement
• CCP vs. Bilateral OTC
Messages

- CCPs are special
- Derivatives are different
- Laws matter
- Regulation is complicated
CCPs Are Special

• Risk mitigation, information provision
  – Mutualisation
  – Novation
  – Margin adjustment

• Standards and standardization
  – Political economy

• Result: Liquidity
Laws Matter

• Finality
• Seniority of payments
• Honoring novation
• Clarity of jurisdiction
Regulation

- Access: Pros and Cons
But Are Derivatives Special?

• Compare
  – Payments (CLS)
  – Securities settlement

• Differences of magnitude, not kind
Derivatives CCPs
as Empirical Laboratory

• Magnitudes
• Historical Record
  – Data
  – Politics