

# CCP Performance: Structure or Behavior?

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# CCP Functions

- **Enable liquidity via credit risk mitigation**
- **Provide centralized processing efficiencies**
- **Act to contain systemic risk**
  - ◆ **On-going risk management activities**
  - ◆ **Default protections and crisis management**
- **Support market innovations**

**Do so against a backdrop of cost and capital efficiencies**

# Is CCP Structure the Issue

- **Does structure drive a CCP's ability to effectively perform its functions?**
- **Does CCP achievement of operational and capital efficiency depend on structure?**
- **Do the critical CCP incentives vary given different structures?**
- **Is there a discernible difference between overall CCP performance given a utility vs a for profit structure?**

# Credit Risk Mitigation

## Drivers Include:

- **Membership standards**
- **Financial and Risk Management Surveillance**
- **Margining and Mark to Market**
- **Risk Management Policies**

# Centralized Processing Efficiencies - Operational

## Drivers Include:

- **Systems and on-going investment in technology**
- **Scale of business cleared**
- **Use of industry standard interface protocols**

# Centralized Processing Efficiencies - Capital

## Drivers Include:

- **Scope of business cleared**
- **Risk based portfolio margining**
- **Collateral programs**

# Systemic Risk Containment

## Drivers Include:

- Overall risk management culture and policies
- Financial safeguards and default protections
- Crisis management geared toward protecting the entire system as a first priority
- Information sharing

# Support for Innovations

## Drivers Include:

- **Alignment of priorities**
- **Technology synergies between markets and CCPs**
- **Allocation of resources**
- **Intellectual property protection**



# CCP Structure – A Regulatory Solution

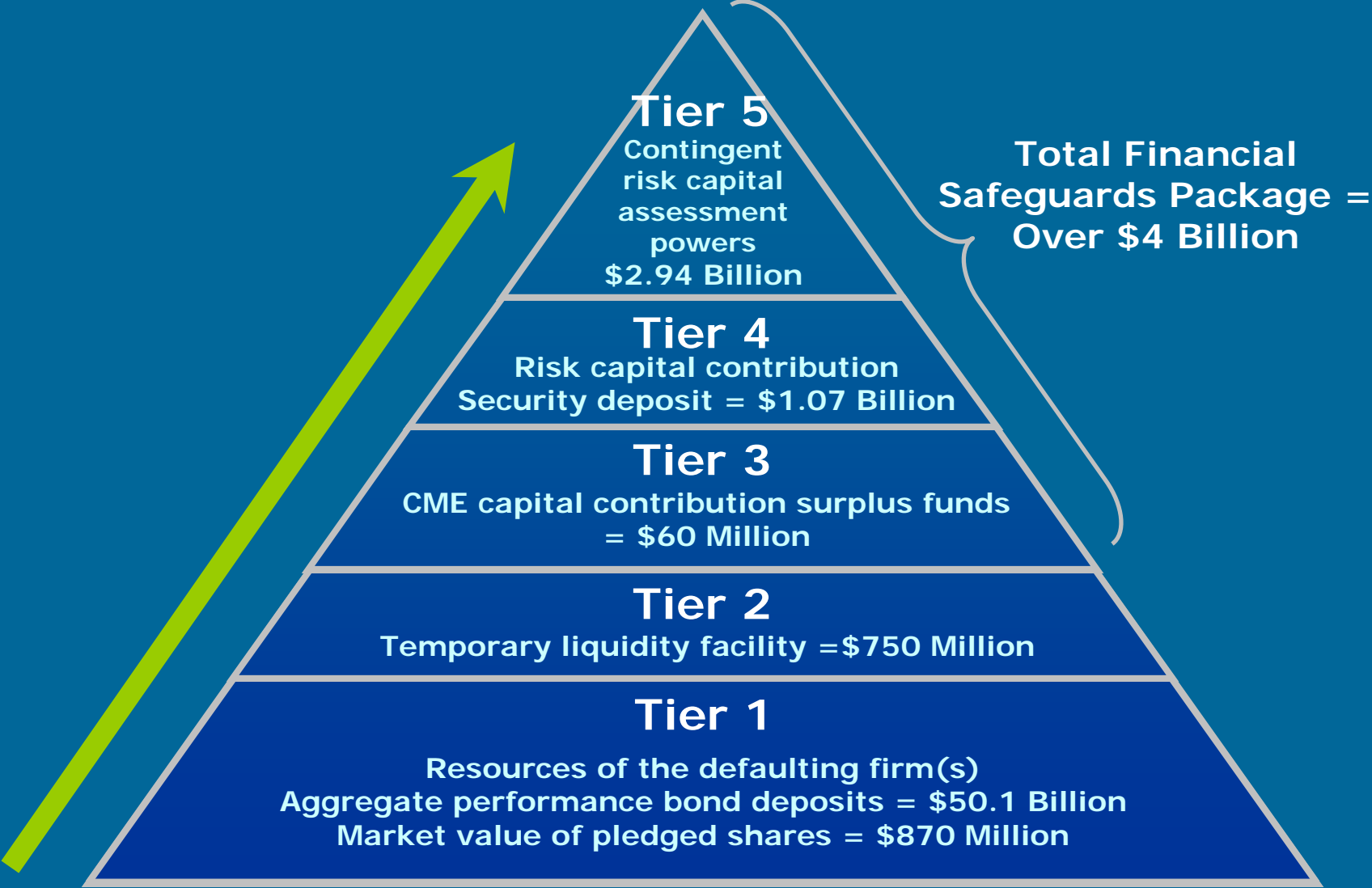
**Do we actually have a problem that market forces cannot solve?**

**We should be certain to answer that question before seeking a regulatory solution.**

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# Default Rules and Procedures





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